REAUTHORIZATION OF THE FOOD STAMP PROGRAM

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

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REAUTHORIZATION OF THE FOOD STAMP PROGRAM

MONDAY, MARCH 29, 1982

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, D.C.

The committee met, pursuant to notice, at 10:10 a.m., in room 324, Russell Senate Office Building, Hon. Jesse Helms (chairman of the committee) presiding.

Present: Senators Helms, Dole, Hayakawa, Leahy, and Pryor.

STATEMENT OF HON. JESSE HELMS, A U.S. SENATOR FROM NORTH CAROLINA

The CHAIRMAN. The committee will come to order.

It is now 10 minutes past the hour. A few others will be along in due course.

Today, the committee begins hearings on the reauthorization of the food stamp program for fiscal year 1983. Witnesses representing a broad range of perspective will be testifying.

The Chair will note that this year and last year, the administration recommended major legislative changes to reduce the spiraling costs of the food stamp program. Even after last year's reductions, the program continues to cost more than $11 billion annually, the largest single program within the Department of Agriculture.

It is the second most costly "needs based" Federal program, second only to medicaid.

As such, the recommendation by the administration to save $2.3 billion obviously is an important element in the overall economic recovery program advanced by the administration.

One of the greatest problems in the program continues to be that of errors, sometimes inadvertent, but more often deliberate misrepresentations made by applicants who understate their true income in order to receive larger food stamp allotments.

The USDA's estimate, 10.5 percent of all benefits issued last year were overissued. That results in over $1 billion in wasted Federal tax dollars. In this day of what amounts to a budgetary crisis in the Federal Government, such levels of overissuances obviously cannot be tolerated.

The level of errors in the program including underissuances actually increased in 1981 over 1980 from 12.6 to 13.3 percent. The situation has deteriorated and it is the duty of this committee, of this Congress, to see that the situation is reversed.

Sadly, it appears that the States have taken a lackadaisical attitude toward errors or fraud in the food stamp program.

Most likely, this is because food stamp benefits are funded 100 percent by the Federal Government. In the past, overissuances have not cost any State a dime, although Federal taxpayers are losing over a billion dollars a year as a result of them.

It seems to this Senator to be obvious that when States pay for a portion of the benefits, in medicaid or aid to families with dependent children, for example, errors somehow become less. Five percent for medicaid and 7.3 percent for AFDC.

So when State money is involved in programs, somehow the States find a way to be just a little more careful and they find a way to improve administration and the integrity of the programs.

Let me say that I recognize that my own State of North Carolina has one of the worst records of all the 50 States. The error rate in North Carolina is among the highest in the Nation. In fact, the error rate in North Carolina is about 15 percent, which means that one out of every six food stamps is improperly issued.

Now, as a citizen of North Carolina and as a Senator representing that State, this is totally unacceptable, and I regret that my State has that kind of record, but I don't know any way to induce the State officials of my State or any other State to show more concern about extravagant waste of the taxpayers' money other than to require them to be accountable to the taxpayers for their mistakes.

The only way to make them accountable to the people is to require the States to repay the Federal Treasury when the tax dollars have been wasted by the State.

One of the key components of President Reagan's proposed 1983 budget is to require States to begin reimbursing the Federal Government for errors over 3 percent, beginning in 1983, increasing to all errors by fiscal year 1986.

I believe, of course, that this is a progressive step, but I personally feel the States should begin to pay for all errors right now—beginning in 1983. Let it be noted by those who are legitimately concerned about benefit levels to recipients that benefits are not reduced under such proposals. Rather, State accountability, State responsibility, will be improved substantially. Recipients who accurately report their income and assets and household size and all other factors would in no way be affected by the proposed error rate sanction system, and, obviously, States which do a good job of operating the program will have to reimburse the Federal Government almost nothing.

Those States which fail in their responsibilities, on the other hand, will begin paying the financial burden for their lackadaisical attitude. Thus far, the American taxpayers have been paying for that.

There are numerous elements in the food stamp program which are highly susceptible to abuse, and thereby contribute to high levels of fraud.

This committee is vitally concerned with identifying these and legislating appropriate remedies to eliminate such opportunities for abuse in the food stamp program. While some improvements have been incorporated into the law last year, additional reforms are essential to eliminate loopholes which still exist.

For example, it has been brought to my attention by several States that some food stamp recipients actually receive increased food stamps after benefits in another program had been reduced because of a fraud conviction by that recipient in the other program.

Now, this should not be allowed to exist.

Those who have studied the program carefully realize that there is much room for improvement yet, and until such steps are taken, the integrity of the program—in the eyes of the American taxpayers who are getting more and more fed up as days go by—will continue to suffer in that regard.

It should be emphasized that many of the so-called "reductions" which are recommended in the program are nothing of the kind. Rather, benefit increases will be lessened. Benefit levels are scheduled to increase each October 1. If reforms can be scheduled to take effect on October 1, the net impact on households will be marginal and will rarely result in an actual decrease in benefits received.

So, those who are gnashing their teeth about various proposed reforms are simply not facing the Federal budgetary reality. Reductions in the overall cost of the program can be achieved without the massive deprivation that opponents frequently picture.

Now, in my own view, the ultimate answer is the one which the President has proposed in the form of New Federalism, by which the States would assume total responsibility for the food stamp program.

But in the more immediate future, I believe a system could be established to provide States with an option, an option to operate a food stamp program under a block grant provided by the Federal Government and States could thus adapt the program's rules and regulations to meet the needs of their individual circumstances.

We have some very knowledgedable witnesses who will be able to assist the committee in considering additional needed reforms in this program, which will serve to benefit both the American taxpayer and ultimately those food stamp recipients who are legitimately in need of assistance.

Senator Dole?

STATEMENT OF HON. BOB DOLE, A U.S. SENATOR FROM KANSAS

Senator Dole. I ask that my written statement be made part of the record.[1]

I want to follow on with what the chairman indicated. This is an important program, and I think we must do whatever we can to preserve it.

I know of no one on this committee who wants to deny benefits to those who are truly in need and should be participants. And I would say that I think the Department of Agriculture must share some responsibility.

We passed amendments in 1977—and, in fact, I think the chairman sponsored those amendments—which reformed parts of the program. However, we are still waiting for the Department to implement legislation which was passed 22 months ago.

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[1] See p. 107 for the prepared statement of Senator Dole.

In May of 1980, we enacted substantial antifraud and error measures which never seemed to emerge from the bureaucracy. Last year, I introduced the Food Stamp Accountability Act of 1981 which included a broad range of reforms which were enacted into law with the Omnibus Reconciliation Act of 1981. We are still waiting for these to be implemented by the executive branch.

So I would hope, in line with the chairman's statement that those responsible for promulgating regulations and implementing the act, could address these concerns and let us know very quickly what they intend to do.

We are in a sort of Catch-22, because as unemployment goes up, the cost of food stamps goes up accordingly. More people are out of work. More people may not want to, but they turn to the food stamp program as a last resort.

I am told that for every 1 percent unemployment rises, the cost of the program also rises by $500 million.

We have a job before us with error rates. If we can address that aspect of the program, it will not impact those who receive benefits from the program. It is a difficult program from an administrative perspective, because the States don't put up any money. I can understand that their first priority is with programs in which they have a share in funding.

On another issue, I would also suggest that maybe I have a little different perspective as chairman of the Finance Committee, because there we deal not only with the truly needy, but the truly greedy.

We see some of the "tax benefits" going to big corporations and people of great wealth in this country, and then come back to this committee where you see us trying to figure out a way to save another $2.3 billion in food stamps this year—and it really is quite a challenge.

I don't suggest that there are not areas that we can properly address to reduce the cost of this program, but I think we have to keep it in perspective with other areas of Government where some people literally escaped without any—without making any contribution to economic recovery last year.

So as we look at this program, we are looking also at other programs which I think must be properly addressed in the tax area. Many issues on the revenue side have been addressed by the President. We have had all kinds of examples of tax abuses, and he has asked us to close certain loopholes for large defense contractors and insurance companies. Certainly there are examples of fraud, waste, and abuse by recipients of programs, and this includes tax programs.

We have had a number of examples in our committee of well-to-do physicians who would fall into this category. In one example, in a kidney dialysis program, each of the five physicians bought a Mercedes-Benz, which later the taxpayers paid for.

So these are the programs that we should be speaking about, rather than whether or not a poor disabled person with a leg brace may be entitled to $200 a month.

So I think as we look at error rates, and fraud and abuse, which certainly still exist in the food stamp program, we need to realize that many times this is not perpetuated by low-income food stamp recipients, but others who deal with the food stamp program. Again, it is these areas that the chairman addressed and that some of the others of us addressed in what we called reform measures, and we are still waiting for the Department to implement regulations on this legislation.

In conclusion, I am happy to be here to listen to testimony on this program, Mr. Chairman.

The CHAIRMAN. I think somewhere down the line we have to put some people in jail, these folks who are getting fat off the taxpayers.

Senator DOLE. A lot of them were fat to start with.

The CHAIRMAN. The first witness will be Henry Eschwege.

STATEMENT OF HON. HENRY ESCHWEGE, DIRECTOR, COMMUNITY AND ECONOMIC DEVELOPMENT DIVISION, GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY BRIAN CROWLEY, ASSOCIATE DIRECTOR, SENIOR LEVEL, AND STANLEY SARGOL, GROUP DIRECTOR

Mr. ESCHWEGE. Thank you. On my far left is Brian Crowley, our Associate Director, and on my immediate left is Stan Sargol, our Group Director.

If you would like me to, I could read portions of my statement and submit the whole statement for the record.[1]

The CHAIRMAN. That would be fine.

Without objection, the complete statement will be presented in the record and you may summarize as you see fit.

Mr. ESCHWEGE. Thank you, sir.

You have already referred to the large program we are dealing with here this morning and the overissued benefits which in fiscal year 1981 will total about $1.1 billion and the underissued benefits will be about $275 million. The vast majority of overissuances and underissuances for this $10.6 billion program stem from errors in determining correct income, assets, and household size. Incorrect data on earned and unearned income caused two-thirds of the loss in the States we reviewed.

In most cases, the underlying cause was incorrect data provided by clients or their failure to provide information.

Food stamp offices' failure to obtain sufficient documentation and to make proper use of client-reported data or other available information also contributed to program losses.

Opportunities for making improvments exist within the present authority of the Department and State and local food stamp agencies, as shown by the following items.

Much legislation designed to improve program administration has not yet been implemented. For example, Agriculture has not issued regulations requiring wage watches or expanding the requirement for social security numbers to all household members.

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[1] See p. 110 for the prepared statement of Mr. Eschwege.

Greater use of automated data processing could eliminate errors, facilitate verification, and save caseworkers' time.

Legislative changes could help:

The rates of overissuances in the medicaid and AFDC programs in which States share in program costs are substantially lower than in the food stamp program.

The President's 1983 budget proposals show that national averages are about 5 percent for medicaid, 7.3 percent for AFDC, and 10.6 percent for food stamps. Obviously, any comparisons of these three programs cannot be precise, because those eligible under the programs vary and benefits differ.

Thus far, higher rates of administrative cost reimbursement authorized by law as an incentive for reducing error rates have had little effect on food stamp errors or overissuances nationally.

Currently authorized food stamp sanctions provide little hope for quick reduction of the error rate. Agriculture cannot impose sanctions on any States with error rates below the current national cumulative allotment error rate of about 13 percent—a total percentage for both overissuances and underissuances.

States below this threshold do not need to reduce errors to avoid sanctions. In fact, their error rates can increase up to the national average without any penalty.

For States with error rates above the average, Agriculture can stipulate how fast error rates must decline to avoid sanctions. Established criteria require an annual 10-percent reduction of the difference between each State's current error rate and an assumed acceptable rate of 5 percent.

In contrast, the AFDC program requires States with error rates exceeding 4 percent to reach that goal in three equal annual reductions by the end of fiscal 1983.

The President's proposals for modifying several income security programs include phasing in full State responsibility for erroneous AFDC, food stamp, and medicaid program payments.

Increasing the States' financial liability for program errors would provide a major incentive for better administration, especially for the food stamp program whose benefits are totally financed by the Federal Government.

If such a proposal is adopted, States must be allowed access to data needed to verify applicants' reported income and assets.

We recently recommended elimination of certain legislative restrictions on the use of federally maintained data for verification purposes in needs-based programs.

The proposal to consolidate administrative funding for AFDC, medicaid, and food stamps does provide opportunities for savings.

We are concerned, however, that administrative attention to the 100-percent federally funded food stamp program may not receive the same emphasis as that given to AFDC and medicaid programs which the States help finance. Much will depend on whether States will be held responsible for program errors.

In 1981 the Congress enacted provisions to control program growth and reduce errors. Provisions to prorate first-month benefits, eliminate boarders as separate households, and significantly restrict benefits to strikers were implemented in September 1981.

Rule changes requiring retrospective accounting, periodic client reporting, and expanding the requirement for participants' social security numbers were to be proposed this month.

We believe, however, that several additional changes could help to lower error rates.

Legislation not yet implemented requires States to match applicant-reported income with wage data from either State employment security agencies or the Social Security Administration.

Regulations to require use of income matching in determining initial eligibility and benefits could help reduce overissuances.

Also, periodic matches against existing caseloads could help in identifying overissuances, adjusting monthly benefits, and establishing claims to recover overpayments.

It is very difficult to verify separate household status for people living together. Treating persons residing together as a single household for food stamp purposes would greatly simplify the process and would free staff to concentrate on verifying income, assets, and household size.

We are exploring other ways to simplify administrative burdens and avoid errors in determining eligibility. One possibility the Congress might consider is creating a standard deduction for shelter costs rather than taking into account many varying household circumstances.

We are also currently assessing Federal, State, and local efforts to identify households that have erroneously obtained or been denied food stamp benefits.

Little improvement has been made since we last reported in 1977 that only a small amount of overissuances had been collected.

In the 1981 legislation, the Congress gave States authority to pursue collection of overissued benefits through an offset provision.

For overissued benefits in nonfraud cases which are not the result of agency error, States must reduce a recipient household's monthly allotment by the greater of 10 percent or $10.

A companion provision allows States to retain 25 percent of all nonfraud recoveries except those caused by agency error.

Agriculture plans to implement these provisions in May 1982, so there is no measure yet of how this will affect States' collection activity.

These offset provisions could be revised to conform to AFDC legislation which provides for mandatory offset for overissuances caused by agency errors as well as client errors. Of course, States should not share in recoveries stemming from agency-caused errors.

Offset provisions should be effective in recovering overpayments from households still eligible for benefits, but clearly they are not effective against those no longer receiving benefits.

States we reviewed had mixed reactions to existing administrative procedures for adjudicating fraud. Some found it costly, cumbersome, and too difficult to establish guilt. Others found it an attractive alternative to the courts.

We recently reported preliminary information on the food stamp expedited service provision, which allows clients to receive food stamp benefits within 3 working days of application.

For the 15 States with available data, from 6 percent to 70 percent of all new cases started on an expedited basis.

We also recently reported that Agriculture needs to correct weaknesses in its authorization-to-participate (ATP) system through which States will distribute $8 billion of the $10.6 billion in fiscal year 1982 food stamp benefits.

Losses through the system, resulting from various acts of clients or third-party fraud, were reported to be about $12 million annually.

The figure is probably larger because not all reporting jurisdictions filed reports identifying duplicate issuances and others understated their losses.

Also, at the time of our report, Agriculture required only 17 locations to institute photo identification cards to reduce duplicate issuances.

This requirement should be extended to all locations experiencing significant duplicate ATP transactions. More recently, an additional eight locations have been designated.

We also recommended, (1) further tightening of regulations for replacing ATP cards and; (2) requiring States rather than Agriculture to assume financial liability for locally preventable losses and billing States for duplicate issuances.

We have taken a further look at food stamp workfare since we testified before this subcommittee last year. We concluded that implementing a workfare concept was administratively feasible but that local demonstration projects experienced substantial problems getting participants to work on a timely basis.

Available cost-benefit data was not reliable for predicting results of an ongoing program.

In February 1982, we recommended that Agriculture improve and expand the scope of its plans to evaluate Puerto Rico's transition from the food stamp program to the new nutritional assistance grant.

This concludes my statement, Mr. Chairman. We will be glad to respond to any questions you may have.

The CHAIRMAN. We thank you very much. I have a few questions.

On page 2, of your statement, you addressed yourself to the fact that the States are not using all the verification procedures available to them, and yet your statement implied that their hands are tied in terms of verifying the essential information.

How do you explain that?

Mr. ESCHWEGE. Well, on page 2 we talk about some verification procedures which were authorized but not mandated, and some of the States have, as you say, been better in applying these verification procedures.

However, the States need to focus specifically as we also point out in the statement, on income reporting. This is an area where the States do not have complete authority at this time.

Some of this was provided for in the 1979, 1980, and 1981 acts, but has not been implemented. Other provisions have been implemented.

We think you might want to consider going even further and allowing, with proper safeguards, some access to the IRS data, because right now they do not have access to data on unearned income, such as interest, dividends, and also information on the assets that some of these beneficiaries might have. Through the IRS, States might be able to obtain some of that information.

The **Chairman**. The income and assets verification is better in the AFDC program than it is in the food stamp program; is that correct?

Mr. **Sargol**. I think it is.

Mr. **Eschwege**. There are similar problems as far as IRS data are concerned. They do not have access to that.

The **Chairman**. It seems the more effort is made to verify, the more accurate the adjustments will be that are made.

You do agree that the States ought to have to bear the burden for their mistakes, and that that would have a salutary effect on cutting down on the errors in the program?

Mr. **Eschwege**. We think there is a need for the States to carry more of the burden, recognizing, of course, that you are never going to have a program such as this error free.

There are always going to be some problems, and, frankly, as to how much of the burden the States should be mandated to carry is a question I think the Congress will have to make a determination on.

It would seem that at some point in time it could cause States to relax their error identification if they were forced too quickly to take on this additional burden.

The **Chairman**. As a citizen, rather than speaking for GAO, would you say that States should be responsible for all their errors rather than 3 percent?

Mr. **Eschwege**. Well, GAO has not taken a position on this. As a citizen, I think it makes a lot of sense to gradually work towards that end.

I think what needs to be done at the other end, too, is to take out some of the complexities of the program so it is easier for the States to administer it.

The **Chairman**. Well, we are going to get into that with some of the Department people who will appear here.

The GAO issued a report, I think it was back in January, discussing several legislative and administrative changes that they deemed necessary to improve the verification of welfare recipients' incomes and assets.

As has been alluded to a number of times this morning, we already mandated one of these GAO recommendations that food stamp information be matched with wage data within the State, available within the State, or from the Social Security Administration.

Are there any further improvements that could be made through required matching with income and dividend information and unearned income filed with the Internal Revenue Service on the form 1099?

Mr. **Eschwege**. Yes. I think this is the area that I briefly alluded to before where there might be a way of providing IRS data.

There is another way that we have pointed out, and that would be to get some of the beneficiaries to provide copies of their income tax statements in order to become eligible for some of the programs that we talked about in that particular report.

First, as we recommended in the case of housing, you might ask a potential beneficiary to provide you with last year's income tax return to get some idea of what his or her income was.

The CHAIRMAN. The staff has pointed out to me that a number of States, including my own State of North Carolina, reported an increased interest in recovering overissued welfare benefits, including food stamps, to offset the debts against State income tax refunds which may be due to the recipient.

Would there be significant savings by allowing such offsets from Federal tax refunds?

Mr. ESCHWEGE. I think there could very well be. We have gotten some information from Oregon which has offset overissued benefits, or benefits to ineligible households against State income tax refunds, and they say that it has worked pretty well. We understand that the State of California is trying to do something very similar.

The CHAIRMAN. We have heard a number of assertions that the expedited services provisions of the current law are a contributing factor in higher rates of error than for the regular caseload.

But wasn't there a GAO report that sort of contradicted that?

Mr. SARGOL. Yes, there was. We did a study of this and found out, as a matter of fact, that the error rates for expedited cases were less than what they were for the general caseload. There are some reasons that might explain this.

One of them is that the number of expedited cases that happen to fall within the quality control sample was very small, and we are not sure whether that gives you a representative look on what the story would be with expedited cases overall.

Also, most of the clients that get expedited services have little or no income. Consequently. if there is an error in reporting income, it often is not enough to actually result in an overpayment because of the deductions that come into play.

Another possibility is that because there is often zero income, there are much fewer determinations and calculations that a caseworker has to make and, therefore, there are fewer agency-caused errors.

These things may combine to give you a lower error rate for expedited cases.

The CHAIRMAN. Let's talk for a minute about the so-called expedited services. The information that the committee has received from around the country is that States are saying that the regularly processed cases are completed within 10 days or 2 weeks, or something like that, and that there is, therefore, very little need for the rush to process cases and distribute benefits within 3 days to the so-called expedited cases.

Do you have any information about how long it does take caseworkers to process nonexpedited applications?

Mr. ESCHWEGE. I think the work we have done confirms the information you have, that the benefits are usually received within 2 weeks after application. We did note some particular reviews of this in two States, Texas and New Jersey. In Texas about 82 percent and in New Jersey about 94 percent of the cases were processed within the 2-week period.

Some of the States also told us that most of the cases truly needing expedited service can be handled on a case-by-case basis within 3 to 7 days without any specific mandate that this be done. Also, these States said that there would almost always be some charity organization available that could kind of tide people over during that period.

The CHAIRMAN. What, if anything, did they tell you about the increased paperwork burden?

Mr. ESCHWEGE. Well, for one thing, they pointed out that whenever you have to stop and give people expedited service, some of the other services suffer. In a couple of cases the expedited service represented as much as 70 percent of the initial application workload.

So the other people who were in the program suffered from that.

Do you want to add anything?

Mr. SARGOL. That is correct.

The CHAIRMAN. Well, how about the tendency to overstate the size of the household? What impact does that have in terms of the error rate?

Mr. SARGOL. The size of the household, next to assets and income, is one of the largest factors in causing errors.

The CHAIRMAN. Obviously, that means we need to address that in verification.

Mr. SARGOL. Yes. It is also tied in to how you define a household.

The CHAIRMAN. Senator Leahy?

STATEMENT OF HON. PATRICK J. LEAHY, A U.S. SENATOR FROM VERMONT

Senator LEAHY. Thank you, Mr. Chairman.

I ask that my full statement be introduced into the record.[1]

Let me comment on a couple of points in that statement, because they reflect the questions I will ask. Last year, we enacted about $2.3 billion in food stamp benefit reductions. Over the past 2 years about $3 billion in cuts have been legislated.

I mention this, because to hear some of the commentaries that have been made about the food stamp programs you would think no cuts have been made. Yet, we have heard compelling testimony that the new budget proposals would have a devastating across-the-board impact on food stamp recipients, even the elderly and disabled would not be spared. They would lose an average of close to $200 a year. Mothers with children, working households—they are going to be cut to the extent that many feel it may encourage people to stop working and go on welfare.

These are things that we have to consider. We also have to look at these proposals to impose sanctions on States with error rates above certain levels.

Many feel it is a backdoor way of putting the cost of food stamps onto States and localities. I can't believe that the 3-percent error goal on a program of this size can really be done.

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[1] See p. 108 for the prepared statement of Senator Leahy.

I do think error rates are too high in the program. I think a number of things that are being done are going to change that, but I don't believe the solution to the problem is to simply require that States pick up part of the benefit costs of the program.

Now, the GAO testimony, Mr. Chairman, I think, is interesting. They are supporting a use of error rate sanctions. That seems to run contrary to your views on sanctions in the AFDC program.

I ask that a copy of the digest of the July 18, GAO report be included in the record at this time.

The CHAIRMAN. Without objection.

[The digest of the report by the Comptroller General follows.]

[Digest]

COMPTROLLER GENERAL'S REPORT TO THE CHAIRMAN, SENATE FINANCE COMMITTEE

BETTER MANAGEMENT INFORMATION CAN BE OBTAINED FROM THE QUALITY CONTROL SYSTEM USED IN THE AID TO FAMILIES WITH DEPENDENT CHILDREN PROGRAM

Over $900 million paid to poor families under the Aid to Families with Dependent Children (AFDC) program was paid in error during 1978. This estimate, which includes overpayments to eligible families and payments to ineligble families, is based on data reported by the quality control system. (See p. 1.)

The quality control system was established to improve administration of the AFDC program by identifying errors and developing corrective actions to eliminate them. The system is also the basis for fiscal sanctions against the States for erroneous payments in excess of error tolerance levels. (See p. 2.) There is a congressional conference directive for sanctions based on quality control error rates.

Fiscal sanctions create an adversary relationship between the Federal Government and the States at a time when a cooperative effort is needed to reduce errors. Using the quality control system as the basis for sanctions limits the system's value as a means for improving payment processes.

Because a high error rate will result in sanctions, there is an incentive to identify fewer errors. To be most effective, the quality control system should identify as many errors as possible. This will give management more information to develop corrective action plans. (See ch. 2.)

Several weaknesses in the system reduce its value to program managers for improving administration of the AFDC program. The overall effect of weaknesses is to limit the value of information that the system produces on errors and causes of errors.

The following weaknesses were noted:

Both State and Federal quality control reviews differ from State to State and Federal region to region. Some case reviews include extensive verification of eligibility and grant amount factors, while others rely heavily on statements by recipients. The Department of Health, and Human Services (HHS) [1] has recognized the differences between quality control reviews, but has not determined how this affects the identification of incorrect payments. (See ch. 3.) HHS regional offices do not follow consistent procedures in assessing State quality control operations, and HHS has no assessment system for its regional offices' quality control functions.

The quality control system does not provide for reporting incorrect payments of less than $5 or those caused by changes in circumstances that occur during the payment review month or the month before it (administrative period). The system also provides for reporting only one error cause per case even if there are several. Program management is thereby denied information that could be useful for devising corrective actions for procedural or other problems causing such errors. (See p. 26.)

The data resulting from the quality control review can be valuable for error reduction purposes if it is carefully analyzed. Quality control data were not being adequately analyzed at either the State or Federal level. (See ch. 5.)

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[1] On May 4, 1980, a separate Department of Education was created. The part of the Department of Health, Education, and Welfare responsible for the activities discussed in this report became the Department of Health and Human Services.

RECOMMENDATION TO THE APPROPRIATIONS COMMITTEES

The House and Senate Appropriations Committees should retract a congressional conference directive for Federal fiscal sanctions against the States based on the AFDC quality control error rates.

RECOMMENDATIONS TO THE SECRETARY OF HHS

The Secretary should:

Assess regional quality control procedures to insure adequacy and consistency and establish guidelines for reviews of State quality control cases by HHS regional offices, including criteria for making home visits to recipients and third-party verifications.

Increase regional monitoring and periodic assessments of State quality control operations as well as HHS monitoring of its regional quality control operations.

Change the Federal regulations to require reporting of incorrect payments of less than $5 and those occurring because of changes during the administrative period.

Require the States to report all causes of incorrect payments detected during the quality control review process.

Encourage the States to perform more detailed analyses of quality control data to identify the causes of errors and provide management with better information for developing corrective actions.

Require the Commissioner of the Social Security Administration to perform more analysis and special studies of quality control data to identify appropriate corrective actions for assisting States in their error reduction efforts.

AGENCY COMMENTS AND GAO EVALUATION

Regarding GAO's recommendation to retract the sanctions directive, HHS did not favor full retraction, while five of the six States GAO visited were in favor of such action. GAO still believes sanctions are not appropriate.

Regarding GAO's recommendations to the Secretary of HHS for more standardized quality control review procedures, increased data reporting, and additional data analysis, State officials generally agreed. HHS officials said that efforts now underway would bring about the improvements GAO believes are needed. Some States and HHS did not agree that incorrect payments of less than $5 and those occurring because of changes in the administrative period should be reported. Disagreement generally centered around the cost of correcting these errors and their effect on error rates.

GAO is not proposing that such errors be necessarily corrected, only that they be reported for management analyses and evaluation purposes. GAO also recognizes that error rates may go up if such incorrect payments are reported, but believes that not tying error rates to sanctions will allay the States' concerns in this respect.

More detailed discussions of State and agency comments and GAO's evaluation can be found on pages 15, 24, 30, and 36 of this report.

Senator LEAHY. The food stamp program has about double the participants of AFDC and, of course, caseworkers have to do a lot more. You have more transient people in it.

I have heard that some of the changes that have been made nearly every year in the food stamp program have caused problems among those administrators. Is that a fact, do you hear that?

Mr. SARGOL. I think it is a fact.

Senator LEAHY. Does the AFDC still allow a grace period in which errors are not reported?

Mr. SARGOL. During quality control work, if you come across an error that occurs because of a change in household circumstances during the month being reviewed or the previous month, they will not pick that error up. It only has to do with household circumstances.

Senator LEAHY. There is no such thing as that in food stamps?

Mr. SARGOL. There is a similar idea in food stamps that there is a period of time that the agency has to make reported changes before it would be charged with an error. If that time has not expired, it would not be picked up as an error.

However, statistics we got on that showed there are not a lot of cases that fall into that category and there is no measure that we know of, of what the dollar impact of that would be.

Senator **Leahy**. What population would be more affected by changes, the AFDC population or the food stamp population? They are not affected the same, are they?

Mr. **Sargol**. I don't think so. We are doing a study now that is trying to correlate unemployment rates with AFDC, food stamps, and medicaid participation. We will have it available in a couple of weeks, but I am not in a position to discuss this now.

Senator **Leahy**. I have been told that the AFDC population has been more stable and the food stamp population tends to be more quickly hurt by recession and high unemployment.

Have you seen any statistics, at least in your preliminary study, that would indicate otherwise?

Mr. **Eschwege**. Senator, I think you are right. I think there are differences, although our study has not confirmed that yet. That is why in reading my statement I pointed out that there are quite a few differences among AFDC, medicaid, and food stamps, and any comparison has to be viewed with some caution.

We pointed this out to the chairman here today.

However, it is still a fact that there are larger errors being made, larger moneys being lost under food stamps as opposed to AFDC, percentagewise. We feel that the report that you referred to is not inconsistent with what we are trying to say here today, which is simply that there is a point in time when you have to take additional measures to get down to a certain error rate which you might not be able to get in a big program like food stamps. We recognize that you are always going to have some errors.

Senator **Leahy**. You don't see a zero error rate ever being a possibility?

Mr. **Eschwege**. Not in a big program like food stamps.

Senator **Leahy**. Let me read from the 1980 report. You said the following in relation to fiscal sanctions for high error rates in the AFDC programs: "Fiscal sanctions create an adversary relationship between the Federal Government and the States at a time when a cooperative effort is needed to reduce errors. Using a quality control system as a basis for sanctioning limits as a means for improving program processes. Because a high error rate will result in sanctions, there is an incentive to identify fewer errors. To be most effective, the quality control system should identify as many errors as possible," and so forth:

Now, since the AFDC and food stamps are operated by the same State and local people, wouldn't these same assertions be true also with regard to food stamps?

Mr. **Eschwege**. Based on the work that the Inspector General has done and we have seen, there isn't quite the same problem with quality control procedures in the food stamp program. The Inspector General is pretty much satisfied with the quality control system in the food stamp program. When we looked at the AFDC quality control system, we were not satisfied.

We believe there are substantial differences between these two programs that need to be considered. In the food stamp program, States do not participate in any of the cost of benefits provided program recipients as is the case for AFDC and medicaid. Also, since each State establishes its own benefit level for AFDC recipients, it would be difficult to ascertain whether sanctions applied in that program might be manifested as perhaps lower rates of increases in future State benefit levels for AFDC.

Review of error rates for both programs show consistently higher overpayment rates in the food stamp program. AFDC error rates have continued to drop, while food stamp error rates have remained high. Our report on the AFDC program that you referred to recognizes that sanctions or the threat of sanctions has played a major role in reducing that program's error rate. From a dollar perspective, Federal losses are substantially higher for the food stamp program.

As noted in my statement, higher rates of administrative cost reimbursement designed as an incentive for lowering food stamp error rates have not yet had the intended effect. We also do not believe that provisions currently in effect for States to share part of the cost of errors in the food stamp program are adequate to provide needed impetus for timely and significant reductions in error rates. Our knowledge of the program based on past and current reviews leads us to believe that increasing States' financial responsibility for errors would provide a major incentive for better program administration. However, we have not taken a position on either the technique or degree of State participation in program costs that would be desirable.

We firmly believe that substantially more State attention to program integrity and more Agriculture action to implement and aggressively promote legislative initiatives to combat fraud, mismanagement, and other program deficiencies will be required. We support congressional initiatives to increase State agency access to the types of information that would facilitate their verification responsibilities.

Senator **Leahy**. You don't think fiscal sanctions would create an adversarial relationship between the Federal Government and the States in the food stamp proqram?

Mr. **Eschwege**. I would have to qualify that by saying provided the Federal Government fulfills its responsibilities of seeing that the control system is adequate. That takes work. There is a possibility that the States would not identify all the errors and the Federal Government would need to continue to make sure they do it.

Senator **Leahy**. Are you saying that some of the States might hide the errors?

Mr. **Eschwege**. That is a possibility.

Senator **Leahy**. I am not referring to the States around the table here.

Mr. **Eschwege**. It is a subconscious thing.

Senator **Leahy**. I understand. [Laughter.]

Do you think the administration has sufficient staff in the food stamp program?

Mr. **Sargol**. We have not made a study of staffing in the food stamp program.

Mr. **Eschwege**. There are always problems in not having enough money budgeted to carry out the program.

Senator **Leahy**. I will ask other questions for the record later, Mr. Chairman.[1]

The **Chairman**. Thank you.

Senator Dole?

Senator **Dole**. Which States had the lowest error rate, and which had the highest?

Mr. **Sargol**. I don't know if this is the lowest, but Nevada had 4.46. That is one of the very lowest.

Senator **Dole**. Are there others in that 4 to 6 percent range?

Mr **Sargol**. Well, Guam had 4.6. South Dakota had 9.44. Most of them start getting up into the 9-, 10-, and 11-percent range, and they run up to 17 percent.

Mr. **Eschwege**. I think Alaska was probably the highest.

Senator **Dole**. Twenty-two?

Mr. **Eschwege**. Yes.

Senator **Leahy**. Who had the 17?

Mr. **Sargol**. The District of Columbia had 17, Maryland had 17, New Hampshire had 17.

Senator **Dole**. They have an early primary.

Senator **Leahy**. They had a heck of an error rate there, too, didn't they, Bob? [Laughter.]

Senator **Dole**. The reason I asked the question is, have you gone back and looked at the areas with low and high error rates and tried to figure out why? They have fewer cases in Nevada, for example, or North Dakota, or Guam. Is it the way they administer the program?

Mr. **Sargol**. It probably is the way they administer the program. Some States just put more effort into their verification procedures. Some States do go to a little more length to verify income, perhaps, than others, and things like that.

Senator **Dole**. Oregon has 20.46 percent. New York has what?

Mr. **Eschwege**. New York is 19.22. Compare that, to say, California, which has a rate of 11.66. So I don't think there is any trend here. When you compare Nevada with Alaska, which probably doesn't have too many recipients, either, you can't really say it has to do with the number of people in the program.

Senator **Dole**. I guess what that demonstrates is that there is a real problem that we should address, and if in fact there is that much variance between States of similar size. California and New York are about 10 points apart, and Nevada and Alaska are about 17 points apart. We ought to be able to come up with some fair system which would reduce those very high error rates even if you had to tolerate a little higher on the low end.

Mr. **Sargol**. We think that wage matching might be useful if they ever get that going.

Senator **Dole**. Isn't that authorized?

Mr. **Sargol**. Authorized, but not implemented.

Senator **Dole**. Do you know why they haven't implemented it?

Mr. **Sargol**. No, it is down the road. They plan to implement that soon.

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[1] See p. 109 for questions from Senator Leahy and GAO responses thereto.

Mr. **Eschwege** We have a listing, Senator Dole, that we could provide for the record of items authorized by the 1980 amendments and the 1981 Omnibus Act as well as the 1981 Food and Agriculture Act, which as of today have not been implemented by the Department of Agriculture. Some of them are supposed to come out this month, and others later.

But, by and large, they have not been implemented.

The **Chairman**. Have you asked them why?

Mr. **Sargol**. They say they are working on all of it.[1]

Senator **Dole**. Have you made any estimates on how much money we might save on the program if in fact all these things were implemented?

Mr. **Sargol**. No, we haven't, because we really don't know how they are going to be administered. We don't know, for example, how good a job they will do in wage matching.

Senator **Dole**. What did vou say we are losing because of an exceedingly high error rate?

Mr. **Sargol**. $1.1 billion in total now.

Senator **Dole**. Between the present average rate and zero?

Mr. **Sargol**. Yes, but that is the percentage of the total benefit value. You have 10.6 percent of the total benefits paid out in error. That is $1.1 billion.

Senator **Dole**. There is also an error on the other side according to which some people would have their benefits raised. There are errors made on both sides to be taken into consideration.

Mr. **Sargol**. Yes, there about about $270 million in underissuances.

Senator **Dole**. So it is a total of about $1 billion. You are talking about $900 million, if you have a zero error rate, which we are not going to have. So if you have a 4- or 5-percent error rate, we could, in fact, lower the cost of the program without reducing benefits for those in need. Is that a correct conclusion?

Mr. **Sargol**. I would think so.

Senator **Dole**. Is there anything in your area about trying to correct error rates?

Mr. **Eschwege**. Not recently issued, but we have two ongoing reviews.

Senator **Dole**. Have you had a chance to look at the impact of the previous program cuts on the so-called working poor? Was that an area addressed in your study?

Mr. **Sargol**. No, it was not.

Senator **Dole**. I have some concern that we may in effect be pushing people out of the food stamp program back onto full welfare benefits, not only in this program but other programs as well, because of some of the things we may have done last year.

It seems to me we have an opportunity here to address the error rate problem. Obviously, the States, who do not put up any of their own money for this program, are going to put their resources in areas in which they have an interest. You can't fault someone if they have only so many people for not putting a lot of resources in a program where somebody else is picking up the tab. Some States just don't have the necessary resources.

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[1] See p. 184 for additional information.

When you go out to dinner, you don't normally check over the bill if somebody else is paying.

Mr. **Eschwege**. Well, I think some sanctions are needed. It is just a question of how far you go without doing the program in altogether by not identifying the errors.

One thing, I did want to point out is that we have looked at a number of States and at the causes of the errors and, again, failure to accurately determine earned income and unearned income in these States is the preponderant reason we have these overissuances. It is in the unearned income area particularly that we don't have legislation yet to fully go after that and to find out who owns assets.

Senator **Dole**. What legislation do you need?

Mr. **Eschwege**. IRS——

Mr. **Sargol**. There are restrictions in the Tax Reform Act which preclude this kind of information being used in needs-based programs. We alluded to that in our January 1982 report where we pointed out that wage matching was a good technique but we should expand the matching to include things like interest and dividends, which, in turn, will also give us a lead on assets that may be generating these kinds of income.

Senator **Dole**. So for this we need to amend the Tax Code?

Mr. **Sargol**. Yes.

Mr. **Eschwege**. And we would caution Congress that obviously you want to put in safeguards, because this would tend to get into the hands of the States, which do not normally have access to this information.

Senator **Dole**. I think that would be an area we need to address.

The **Chairman**. Carefully.

Senator **Dole**. Yes, carefully, but we also have a problem with people who don't report income in any event. We have 5 million people who don't file tax returns. We have 13 to 19 percent of dividend income that is not reported, and with capital gains, we are losing several billion dollars a year. We have $10 billion in tip income that is not reported, which costs the taxpayers $1.3 billion. We are looking at this area. I am not certain this is the right place to address such an issue.

When you go into a study like this, you don't have any bias for or against the program; is that correct?

Mr. **Eschwege**. No, sir. [Laughter.]

Senator **Dole**. You are not against the food stamp program?

Mr. **Eschwege**. Not at all. What we do when we go into this kind of study Senator Dole, is to see what the legislative intent of the program was, and we try to find out whether that legislative intent was being carried out. We have no bias one way or the other, and we talk to people who have different views on the subject, but we come to our own conclusions as to what needs to be done to tighten up.

Senator **Dole**. Do you have any studies where you scrutinize programs in which middle- and upper-income people benefit and what error rate is there?

Mr. **Sargol**. Not in my area.

Senator **Dole**. Would you have to get into the Tax Code on that?

Mr. ESCHWEGE. Part of the office may have gotten into that. I could check and provide that.

[The following material was subsequently received by the committee:]

To the best of our knowledge, our office has not done any studies on error rates in programs for upper and middle income families. Many of these programs are loan programs where default rate and not error rate is the prime consideration. Our office has recommended (The Government Can Collect Many Delinquent Debts By Keeping Federal Tax Refunds as Offsets, FGMSD-79-19, March 9, 1979) that the Internal Revenue Service use tax refund reductions to collect debts owed because of defaulted loans.

Senator DOLE. I guess the point I want to make is that when you talk about error rates, you are not condemning anyone who benefits from the program. I guess some recipients intentionally overstate or understate their income. With, say, over 20 million people in the program, you are going to have an error rate. It may be higher than AFDC because you have, as Senator Leahy pointed out, about twice as many people participating. But we did take action on the Finance Committee in this area which I think is fully effective next year in 1983.

Mr. SARGOL. I just wanted to say that on the income matter two-thirds of the income errors occurred because clients incorrectly reported income or did not report income. There are other income errors that have to do with making adjustments because of COLA types of things that often are agency-caused errors, and sometimes clients do provide information and the agency doesn't act on it properly, but, by and large, the income errors have to do with the correct information not getting to the caseworker.

Senator DOLE. One reason is that the program is complicated. You mentioned certain deductions——

Mr. ESCHWEGE. I think some errors are made because the information is not elicited by the particular person who talks to clients who don't really know what the requirements are. Others are obviously better.

Senator DOLE. You are not dealing with Harvard graduates in the program.

Mr. SARGOL. No, neither the recipients nor the caseworkers.

Senator DOLE. I addressed a group of retailers and talked about food stamp fraud, and they didn't applaud at all. [Laughter.]

Senator LEAHY. And you paced and waited?

Mr. SARGOL. The retail situation is getting tighter and tighter. It is one of the few areas where we found that significant improvements had been made.

Senator DOLE. By the retailers themselves?

Mr. SARGOL. Yes.

Mr. ESCHWEGE. When we looked at it several years ago, we found specialty pastry shops and so on that were taking food stamps.

Senator DOLE. Thank you.

The CHAIRMAN. Before we move along, if my understanding is correct, and the record needs to reflect a little bit different answer on your part. Senator Dole mentioned the total cost of the overpayments, when you subtracted the underpayments. Am I not correct that underpayments are repaid to the recipients?

Mr. SARGOL. If they identify them, sir.

Mr. **Eschwege**. But many of them may not be identified, so the recipients don't know they are entitled to them.

The **Chairman**. I see.

Senator Hayakawa?

Senator **Hayakawa**. Although this may be repetitive, as I came in late, I was interested in your analysis of expedited services. If we eliminated expedited services, do you have any idea how much would be saved?

Mr. **Sargol**. No; the only savings that you would get would be the errors that were made, because most of those people would be eligible under the regular procedures anyway.

How many of them would or wouldn't, I don't know.

Senator **Hayakawa**. In the GAO 1978 report on the food stamp program, it was recommended that food stamp allotments be individualized so that the family benefits could be determined by the makeup of the family as well as by the number in the family.

Do you still hold to this recommendation?

Mr. **Sargol**. Yes; we still think that is good.

Mr. **Eschwege**. This is based on some of the Department of Agriculture's own criteria for thrift meals.

Senator **Hayakawa**. So you are quite sure this would save money?

Mr. **Eschwege**. It would add some administrative burden, but the net result could very well be a saving.

Senator **Hayakawa**. Thank you.

Thank you, Mr. Chairman.

The **Chairman**. Gentlemen, we thank you very much. We are running a little late here this morning. Staff advises because of the difficulties with transportation, plane schedules, that it is going to be essential to move a panel up. So we will now hear from Barry Van Lare, staff director, Committee on Human Resources, National Governors' Association, and Robert Leard, Associate Administrator, Family Nutrition Programs, U.S. Department of Agriculture, accompanied by Christopher Martin, Acting Deputy Administrator for Family Nutrition Programs, U.S. Department of Agriculture.

While the gentlemen are coming forward, I would ask them to summarize their statements, and I will ask Senators if they would be agreeable to a 5-minute round of questioning so that we can move along to hear all the witnesses this morning.

Without objection, we will do that.

STATEMENT OF BARRY L. VAN LARE, STAFF DIRECTOR, COMMITTEE ON HUMAN RESOURCES, NATIONAL GOVERNORS' ASSOCIATION

Mr. **Van Lare**. I am Mr. Van Lare, sir.

The **Chairman**. Mr. Van Lare, you may proceed.

Mr. **Van Lare**. Thank you, Mr. Chairman.

The **Chairman**. You did hear my suggestion that you summarized?

Mr. **Van Lare**. Yes, I did.[1]

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[1] See p. 113 for the prepared statement of Mr. Van Lare.

Mr. Chairman, I am Barry L. Van Lare, staff director of the National Governors' Association's Committee on Human Resources.

I am pleased to have this opportunity to comment on the impact of proposed food stamp program and reimbursement changes on the States and on the recipients which we serve through this program.

In the interest of time, I would like to confine my remarks today to four major topics:

The fiscal ability of the States to absorb additional food stamp expenditures for program costs shifted to the States;

The States' position regarding the turnback of food stamps and AFDC under the President's federalism proposal;

The impact of new work requirements on the administration of the program and on recipient employability; and

Other proposed changes such as administrative cost ceilings and increased error rate sanctions.

I think a major concern the States have is that the costs will be shifted from the Federal Government to the States.

There is very real concern on the part of the States that the administrative savings or the error rate savings which are projected cannot in fact be made during the next fiscal year with the results that the States will have to choose how they will make up for those expenditures.

As you have indicated earlier, we do not have the option of changing the food stamp benefits, and as a result, those costs must be placed elsewhere.

I think, in that respect, it is important to understand that fiscal condition of the States has undergone some major changes over the past several years.

For example, 30 States expect to conclude their fiscal year with a deficit or with a balance of below 1 percent. In the past we have generally used a balance of 5 percent as a criterion for fiscal health for the States.

Most States have raised taxes during the current legislative sessions and 21 States have experienced major changes in revenue.

I think this is particularly important because, while it is true from a long-range historical perspective that the States and local governments have increased their share of revenues from the Federal Government, the level of these funds has decreased over the last 5 years.

Between 1981 and 1982, they will have declined from $105 billion to about $78 billion.

With regard to the federalism proposals, the Governors have long supported the concept of sorting out of the roles of the State and Federal Government.

We welcome the President's leadership in this area.

At the same time, the States have expressed concern about the inclusion of food stamps and AFDC as programs which should be returned to the States.

The Governors' Association has long advocated that the Federal Government play a larger role.

While the States are fully prepared to administer such programs, we believe that there should be a national income security policy and full Federal financial responsibility for a basic set of benefits.

We believe, Mr. Chairman, that the food stamp program has moved us in that direction and, while we are prepared to discuss other issues with the administration, we hope that this role can be preserved.

States have also been concerned about the proposed changes relative to work requirements. We have welcomed, over the the past year, the increased flexibility in developing and administering these work requirements, particularly the ability to tailor them to the recipients' skills and the economic conditions in individual States.

However, we are concerned now about proposals that will eliminate the work expense disregard and increase the benefit reduction rate.

We believe that these changes will substantially reduce work incentives and may actually make some recipients who work worse off than those who do not. We do not believe this is the direction in which we ought to be going.

We believe that it is critical that we maintain those incentives and the programmatic flexibility to assure that as many welfare and food stamp recipients as possible are, in fact, working.

The last area that I would like to address briefly is the issue of error rate sanctions and the administrative cost ceilings.

First of all, we are concerned that those two proposals are largely inconsistent. All of the findings we have seen suggest that, if error rates are to be reduced, increased administrative expenditures are required at least in the short term. Instead, we are now faced with a proposal that would mandate large sanctions and also have a 5-percent cut in the level of financing.

While there may be savings from the combination of the three reimbursement mechanisms for administrative costs, we do not believe the savings will approach 5 percent and certainly will not allow us to finance the type of increased effort that may be required if we are to move toward a zero percent error target.

Second. We are very concerned about the target itself. I do not believe, from the years I have been in the program at the State, local and Federal levels, that anybody has demonstrated the ability to run a program like this with an error rate that approximates zero percent.

As a matter of fact, in the program that the Federal Government operates now, the SSI program, the error rate is at 5.3 percent.

In the last reporting period that was the rate. It has been largely stable over the past several years.

At the same time, we think it is important that the States take every step possible to reduce errors. We believe that the type of administrative flexibility, this type of program simplification, the type of increased verification that has been proposed and enacted in the last 2 years will, in fact, substantially reduce the error rate. I think it is important to recognize that, when we talk about the 10.5- or the 13-percent error rates, we are talking about a situation essentially before the impact of those changes. It is always tempting to react to that statistic before we have the data as to how significant the changes that have been made will be.

We believe that if more is to be done in this area that we ought to do it by continuing to look at the program structure, by increasing State flexibility, by moving ahead to issue regulations that will allow us to implement all of the changes that have been proposed.

Essentially, too, we have in the AFDC program, given the States the flexibility to structure the program and the services in a manner that States believe will address the error rate issue.

We think it is also important that we have at least some period of stability. The GAO in responding to a number of questions—questions that focused on the differences between AFDC and food stamps—suggested that it is the lack of a State share in the reimbursement that has affected the error rates.

I would suggest, instead, that it is both the composition of the caseload and the nature of the program. The error rate is about 30 percent higher in food stamps than in AFDC, or about 35 percent higher. The percentage of AFDC recipients who work is about 25 percent lower than the food stamp recipients.

The stability of the program, at least until the Reconciliation Act, has been much, much greater in AFDC. There have not been a large number of changes.

I think the States are prepared to work with the administration, to work with the Congress, to try to identify the flexibility, and the program simplifications that are needed. We believe that that is the approach that should be taken to try to improve the administration's budget.

The CHAIRMAN. Thank you very much.

Mr. Leard.

STATEMENT OF ROBERT LEARD, ASSOCIATE ADMINISTRATOR, FAMILY NUTRITION PROGRAMS, ACCOMPANIED BY CHRISTOPHER MARTIN, ACTING DEPUTY ADMINISTRATOR, U.S. DEPARTMENT OF AGRICULTURE

Mr. LEARD. Thank you, Mr. Chairman, for allowing me to participate today. I have no formal statement, but I would like to make some comments, if I may. As you know, the Department of Agriculture is committed to drastically reducing instances of fraud and abuse in the food stamp program.

In conjunction with the Congress, as well as at our own initiative, we are undertaking many measures to tighten up the program and insure that the maximum amount of dollars are available for those in need. By reducing the error rate we will be providing more and better services for the food stamp recipient at no cost. I would like to briefly review these initiatives with you.

One of the foremost management tools we have for identifying the extent of error in our program is our quality control system. This system identifies the level of certification errors occurring in the food stamp program. The error rate encompasses issuance to ineligible recipients as well as overpayments and underpayments to eligible recipients.

Data from the quality control system helps States pinpoint and correct weaknesses.

Quality control data for the 6-month period October 1980 to March 1981 showed that 10.6 percent of the food stamp benefits were overissuances—errors. This rate of overpayment is evenly split between issuance to ineligible recipients and overissuances to eligibles. This rate is significantly higher than the most recent overissuance rates for AFDC, 7.3 percent; and medicaid, 5 percent. Of equal importance, it must be recognized that there has been no significant reduction or downward trend in the food stamp dollar error rate in recent years. The error rate remains unacceptably high at a substantial cost to the American taxpayer.

As you know, we currently have in place a food stamp program sanction and incentive system. The objective of our sanction and incentive system is the reduction of the food stamp error rates. However, we do not believe this system provides adequate incentive for States to take the necessary kinds of actions to quickly and substantially reduce their error rates. We believe this is attributable to two facts. First, the food stamp program is 100 percent federally funded and States, in terms of priorities are most likely to focus on improving those programs in which State and local funds are directly involved. Second, the criteria in our current sanction and incentive system allows for unacceptably high error rates and long period for improvement to be realized. For example, during the period October 1980 through March 1981, any State with an error rate below 12.6 percent, the national average, was not sanctioned in any way.

We believe it is not only possible but also critically necessary for States to make significant reductions in their food stamp error rates, the cost of which has risen to over $1 billion annually. Accordingly, we believe the proposal regarding a 3-percent error rate for fiscal year 1983 is both realistic and worthy of your support. First of all, this proposal would provide consistency between AFDC and the food stamp program in terms of error rates.

Second, it would considerably strengthen the food stamp program which will be operated under a consolidated grant for State administration of the AFDC, medicaid and food stamp programs. Finally, this system would produce a substantial savings—$615 million—to the program in fiscal year 1983 without, most importantly, reducing benefits to legitimate recipients.

As a final note, I would like to cite the initiatives we have taken to assist States in reducing their error rates and which we believe now make the 3-percent error rate proposal achievable by States:

First, we propose to revamp the error rate compilation methodology to eliminate underissuances as a component of the error rate computation. Underissuance is running around 20 to 25 percent of the dollar error rate. This was done because underissuance does not reflect a dollar loss to the program.

Second, we have initiated statutory and regulatory changes to: One, simplify the program; and two, maximize State flexibility. An example of this is our new rule implemented last spring to clarify verification standards for determining eligibility and benefit levels. This further increased State agency authority to verify information in a number of areas such as household size.

Third, we will be mandating wage matching. Underreporting or nonreporting of income is the most significant cause of error in the program.

Allowing—mandating January 1, 1983—wage matching with Social Security Administration or State unemployment data, based on actual OIG experience, will result in a significant reduction in overissuance or issuance to ineligibles because it will allow better access to a client's income.

Fourth, we will be assisting States in automating quality control which is a management tool to facilitate the analysis of State data on errors. Better analysis will more specifically identify problems and causes and result in more effective corrective action. This also facilitates error prone profiling which is a tool States can use to reduce errors. Error prone profiling allows States to identify the specific characteristics and circumstances most prevalent in their cases with errors. Thus, the State can use this in targeting the use of their limited resources to reduce program errors. USDA is providing terminals to States and will establish and maintain the data base.

Fifth, we will be initiating monthly reporting/retrospective accounting which will focus and facilitate recipient reporting of their circumstances on a regular basis. This should significantly reduce instances of nonreporting of changes which is a major problem by requiring the client to report his status on a monthly basis rather than as changes occur. Also, requires that benefit determination be based on past, actual circumstances and not projected on anticipated circumstances. This should reduce errors.

Sixth, finally, we have enhanced funding for computerization development—computerization of the certification process, particularly benefit determination, should substantially reduce errors over a manual process.

Also, to the extent computers freeup eligibility workers, they will be able to spend more time on those activities which identify ineligible recipients or excessive payments to eligible recipients.

In closing, I wish to emphasize our commitment to work with the States to efficiently and effectively implement a 3-percent error rate goal. Working together, I know we can achieve the stated goal.

I have now reviewed the initiatives being taken by USDA to reduce the error rate. However, beyond these measures, there are initiatives that can and must be taken by the States to further tighten the program.

Examples are such things as, one, developing antifraud units to combat ineligible applicants and; two, encouraging projects similar to Project Integrity, a program now being studied in the Southeast whereby recipient and retailer food stamp fraud and abuse are being detected by advertisements of increased surveillance of the program.

Finally, USDA will continue to seek better methods for simplifying application and verification procedures.

Thank you, sir.

The **Chairman**. Thank you, sir.

A lot of confusion results from the written word and then the spoken word, and the media account, and you were kind of reassuring to me, because the impression is that the Governors are not really interested in any reform of the food stamp program.

However, I know that you said that one of the reasons for high error rates was because the Federal restrictions on verification procedures.

Is that what you said?

Mr. VAN LARE. Historically, I believe that has been true, Senator.

The CHAIRMAN. I am totally interested that more flexibility be granted to the States.

Did you hear the testimony by the GAO representative to the effect that the States are not availing themselves of the verification procedures which already exist?

Mr. VAN LARE. I heard that testimony, and I believe that was based, if I read the testimony correctly, on the review of eight States.

The CHAIRMAN. That is correct.

Mr. VAN LARE. What I am not sure about is whether those particular verification techniques related to the error problems in those States. One of the real difficulties that the States face, and I think the USDA has indicated this in their own testimony, is in identifying the cause of error and the appropriate error profiles, or error-prone profiles.

I think that as this program gets increasing attention, as it has over the past several years, States will have to look at all of those techniques and where appropriate use them.

The CHAIRMAN. Do you have any opinions satisfactory to yourself about what is an acceptable error rate for the food stamp program?

Mr. VAN LARE. Mr. Chairman, I don't, in part because I have run programs too long at both the Federal and State levels.

I think we ought to shoot for the lowest error rate we can, and I think, to some extent, setting a target makes people too comfortable with where we are. At the same time setting unrealistic goals discourages people from taking the activities that they could.

The critical element here is to reach some agreement as to the rate of progress, the type of things that States ought to do, and moving in that direction.

The CHAIRMAN. Don't you think the AFDC story sort of contradicts what you are saying, though? They have cut their error rate substantially.

Mr. VAN LARE. They have cut their error rate since the midsixties from 16 percent to about 7 percent, and they have done that in most instances knowing that the sanctions that have been proposed were either illegal or not being enforced by the Federal Government.

I think that attention, management attention, has been a critical element, and I think we are prepared to give that management attention to the food stamp program.

The CHAIRMAN. We have only 5 minutes per Senator.

Now, I seem clearly to recall that in the committee, a representative of the Governors' Association came out flat-footed against reform, or what was identified as reform, in the food stamp program last year.

Am I incorrect in that?

Mr. VAN LARE. Senator, I wasn't with the Governors' Association last year and I really can't address that, but we have generally tried to differentiate between changes that we think increase State flexibility and target benefits and changes that we think are either going to add complexity or cost to the States.

The CHAIRMAN. Well, my own Governor, I believe, was chairman of that committee of your association.

Let me ask you what are some of the specific reforms that you would support. For example, State options for expedited services.

Mr. VAN LARE. I think generally speaking, the States would favor having greater options in that area, and would support them. I think they would be concerned about eliminating options available to them.

The CHAIRMAN. Does that come down on the side of saying you would be for it?

Mr. VAN LARE. We would be for greater State options as to how to use——

The CHAIRMAN. You either have the options or you don't. There is no middle ground on that.

Mr. VAN LARE. We favor the options.

The CHAIRMAN. How about other options in the verification procedure?

Mr. VAN LARE. Many of the things we discussed today are things that USDA plans to do. We would favor their being available to the States on an optional basis.

The CHAIRMAN. How about the AFDC criteria for assets?

Mr. VAN LARE. The States have tried to get greater agreements on those.

The CHAIRMAN. I will have further written questions.

Senator Leahy?

Senator LEAHY. Thank you, Mr. Chairman.

The administration would impose requirements on States to operate the programs with fewer errors. Can this be done with less administrative cost and fewer staff?

Mr. VAN LARE. I don't think there is a chance of reaching zero percent without spending more money.

Senator LEAHY. This question is for either one of you. The SSI error rate is over 5 percent. That is a much smaller population, and a far more stable population of elderly and disabled persons.

It is federally administered, but it has an error rate of 5 percent.

Now, if SSI, federally administered, with elderly and disabled stable population, has an error rate of over 5 percent, can you really hold States liable for something over 3 percent next year and zero percent in the future?

Are we whistling in the dark?

Mr. LEARD. We would hope in computerizing the system and wage matching that we can certainly get down there to the 3 percent level, and, again, after we get down there, we will have to look in the out years and see how our initiatives——

Senator LEAHY. We have a lot of information on SSI and we are talking about a far more stable population, one where, from all the speeches I hear on the floor, God bless the elderly and disabled. They are the ones we want to help, and I agree with that. We still have a 5-percent error rate.

Here we have a far more fluid group, one increasing substantially as unemployment goes up, one that is being hit heavily by the recession, and we are cutting back in administrative help, and are going to cut back more.

Are you saying that the 5 percent SSI will get down to 3 percent even with all the things you talk about here, and that we are going to get down to a 3-percent error rate?

I want to be sure I fully understand you. I am delighted that it can be done. I would be delighted if we could turn lead into gold, also. But how are we going to do it?

Mr. LEARD. We are talking about really 10 percent, and the States will find efficiencies in the programs, since they will be responsible for running it, and again we will provide them with the initiatives and if some of these initiatives don't pan out, we will look for others.

Maybe we can reach that 3 percent.

Senator LEAHY. I think everyone who has administered the program will agree that it is dynamic.

They must look forward with anticipation to which rule change they will make from Monday to Friday.

Mr. Van Lare, how do you look at that?

Mr. VAN LARE. You have to look at the SSI error rate. It includes only income, age and the size of the unit, and not really that, because the size of the unit is usually based on a single individual. It has a population with earned income of about 3 percent, as compared to about a 17 percent of the population with earned income in the food stamp program.

All the things that the Department has spoken on basically deal with the problems of assets and income and even when those are eliminated I don't think that you can get down to that level.

Senator LEAHY. You are not about to commit the 50 Governors to do that?

Mr. VAN LARE. I will commit the 50 Governors, to the extent I can, to trying to do it, but I don't suggest we can in fact do so.

Senator LEAHY. I don't suggest we will not try to get the error rate down, and the 50 Governors will do that, but the Federal Government would have a great deal more credibility with the State governments if it were more realistic in what it asked.

In food stamps, AFDC and other programs, do you think further reductions are justified?

Mr. VAN LARE. We think we have two concerns that the Governors themselves have spoken to in testimony before the Finance Committee and the Budget Committee. One is the sense that these changes will substantially reduce the work incentive for people that we all believe should work.

The elimination of the disregard of earned income, I think, is particularly important in that area.

The second concern that has been expressed is as to the treatment of this program in contrast to the treatment of nonneeds test programs.

The Governors realize all programs must make sacrifices in view of the current economic conditions, and wish to treat the needs tests the same we treat other entitlement programs.

There were changes proposed here last year, and again this year, but we do not see many proposals for change in the other entitlements.

Senator LEAHY. You say that that may indeed encourage some people who are working to go on welfare?

Mr. **Van Lare**. It is not my concern so much that people who are working will go on welfare, but the majority of the people who leave food stamps and leave AFDC do so by their own efforts.

They are volunteers and go out and find a job and work, even though the WIN program is being cut out.

My concern is that that initiative will be reduced and the people will stay on the rolls longer, costing us more money.

Senator **Leahy**. Thank you, Mr. Chairman.

Senator **Dole** [presiding]. Thank you.

I think the people understand we are dealing with the same tax dollars here. It is not that we want to accuse the Governors of not doing a good job. We really want to save the taxpayers' dollars. We want to talk about error rates. I assume their priorities would be in areas where the States are putting up money. It is still taxpayers' money, not the Governors', or mine—but it is from the taxpayers who are wondering if we can't have better administration in a program like food stamps, and I think that is where you might have a difference.

I don't think we could ever reach a 3-percent error rate in this program—it's just not realistic. If we could mandate a 3-percent error rate, it would be a way to save money, about $750 million, I guess. However, we ought to be able to do something. Maybe the tolerable error rate ought to be 5 percent or 6 percent or some combination with an incentive for reducing these error rates now.

There is no excuse for a State like New York to have a 20-percent error rate, while my own State has a 14-percent error rate. Oregon also has a 20-percent error rate, and I think we are all in agreement that we ought to be able to do better. We ought to be able to legislate some incentive or some penalty to make certain that the recipients aren't punished, but that those who administer the program do a better job.

Now, would you rather have a State match, or a lower error rate? If you had to have a choice of States putting up 5 to 10 percent—which was considered earlier by the USDA's Nutrition Service—or reducing the error rate, which would be easier for the Governors to come to grips with?

Mr. **Van Lare**. That question is difficult to answer without getting into trouble with my principals, but I would suggest probably that we would rather work with you around the development of the appropriate targets and appropriate corrective action methods rather than to see a change in the matching rate.

We think it is important that this program stay Federal.

Also, it is important to recognize that this committee and the Congress made tremendous changes in this program over the last 2 years, changes which I think will reduce error rates and expenditures.

While the GAO was testifying I was talking with a representative of New York State who told me that their error rate has dropped by 3 percent. I think changes are being made.

Senator **Dole**. With reference to the administration, as I understand it, you are concerned about those on the low side because of error rates, as well as those who receive more than they should. You sort of swept that aside, but if you are entitled to benefits and you don't get what you deserve because of an error rate, isn't that just as important as someone who may receive more as part of an error rate?

Mr. LEARD. Yes.

Senator DOLE. I think the administration should be sensitive to those who, because of some error, are denied benefits, as well as those who are receiving additional benefits, and I hope that sensitivity will start to show.

The administration really believes they are going to get $2.3 billion in program reductions this year?

Mr. LEARD. If we can put through all the legislation, yes.

Senator DOLE. I added them up. If you add them up, I just think realistically these proposals will not be passed by the Congress to be effective July 1, 1982. I do believe there is a chance for considerable savings in the error rate area, maybe greater than in some of the others.

I think we could also save some money if we could get some of the changes in the law which we have already legislated, implemented by your Department. When can we expect some action on some of those that have been around for 22 months that you still haven't acted upon?

Mr. LEARD. Sir, of the 14 provisions in the 1980 amendments concerning waste, fraud, and abuse, we have 7 implemented, 6 that are going to be issued and 1 other, regarding 75 percent computer matching that we will be getting out within the next several weeks.

Senator DOLE. Is there a comment period, then, or is it made effective at that time?

Mr. LEARD. No, sir; there would not be a comment period on computer matching. The other six will be issued soon after OMB clears them and they will be printed as final regulations.

Senator DOLE. I don't want to be critical, but I think that program reform is an area where most of us engage in bipartisan efforts, or nonpartisan efforts, and we believed these changes were tools that would help the Department, at least in administration.

I think the Governors have a great point that stability means a lot to the program. Every year, adding another layer of changes, makes it more difficult to administer the program. That doesn't mean we shouldn't correct abuses.

Will what we have done by legislation take care of all the back areas that we authorized you to proceed on?

Mr. LEARD. I would think so.

Senator DOLE. Are we looking at 30 days, 60 days?

Mr. LEARD. We are looking at 30 days. We are pushing OMB to push these out.

The CHAIRMAN [presiding]. Thank you, gentlemen.

Senator LEAHY. How many States have those?

Mr. LEARD. Fourteen.

The CHAIRMAN. Will you submit a list of which States are being sanctioned as a result of their error rates?

Mr. LEARD. Yes, sir.

[The following information was subsequently received for the record:]

Connecticut, New Hampshire, Massachusetts, Maryland, Puerto Rico, Florida, North Carolina, Tennessee, Colorado, Montana, Kansas, New Mexico, Alaska, and Arizona.

The CHAIRMAN. Next we have Rufus F. Davis, director of the Office of Fraud and Abuse for Georgia Department of Human Resources, Atlanta, Ga.; Bert Smith, a gentleman from Vermont who Senator Leahy wants to welcome. If you gentlemen will come forward.

Senator LEAHY. As you pointed out, Mr. Chairman, I did not realize until I saw the list that Mr. Smith was going to be here.

I am delighted that he is. He lives not too far from me in upper Vermont.

I am sorry he has to go back so early this afternoon. I think that after Mr. Smith has seen the cost of the hotel rooms in Washington as compared to Vermont, he will probably be as happy to get back up there.

The CHAIRMAN. I believe Mr. Smith would agree that if Senator Leahy had stayed in Vermont and had gotten a fair trial, he would have got off with a suspended sentence. [Laughter.]

STATEMENT OF BERT N. SMITH, DIRECTOR, FRAUD DIVISION, DEPARTMENT OF SOCIAL WELFARE, STATE OF VERMONT

Mr. SMITH. I am the welfare fraud director from one of the smallest States in the Union, yet a State which has had experience in administering the food stamp program from its very beginning. Vermont has this distinction due to the progressive efforts and foresight of a former senior U.S. Senator, George D. Aiken.

The food stamp program in Vermont is administered by the same agency which administers the other benefit programs. Thus, the same eligibility worker for food stamps is more often than not the same one who determines eligibility for AFDC, medicaid, fuel assistance, and general assistance.

We do prosecute food stamp fraud in Vermont and find some people abuse the program. However, the overwhelming majority of our applicants and recipients are found to be honest and utilize the food stamp program in a way for which the program was intended. As fraud director I also find many cases of overpayment are not prosecutable simply because clients lacked the knowledge concerning their responsibility.

Much of this confusion I feel is directly related to the maze of regulatory requirements, exceptions and policies which govern administration of the food stamp program.

I applaud the progress to date but we still have a distance to go and if we are to effectively deal with fraud and abuse we must not only focus upon the end, prosecution, but the means by which the benefits are received in the first place.

What I am essentially talking about is the area of prevention.

We have to keep the regulations simple, and when it comes down to eligibility determination, we think it should be based upon a specific standard of income and resources.

Now that the incentive to work has been all but removed from the aid to families with dependent children program, it would make much administrative sense to permit States the flexibility of automatically qualifying eligible AFDC families for food stamp issuance without the need for separate computations pertaining to food stamp eligibility.

If this were done, those families found to be guilty of fraud in one program would automatically be charged in the other. What I am generally proposing is an alinement of food stamp regulations and standards with the public assistance programs to the extent that it can be reasonably done and yet recognize the intent of the program.

The Federal regulations which govern the food stamp program issued by FNS, found in 7 C.F.R., specify in great detail what is mandated of the States. I applaud those newer sections which mandate verification of such items as income and resources. Yet, the State's hands are tied by detail which specifies how, what, when, and where pertaining to this key area of eligibility.

I would like to give you a couple of examples. Home visits shall be used only if the time of the visit is scheduled in advance with the household.

Another is dealing with collateral visits. The State agency must rely on the household to provide the name of the collateral contact. These examples do little to serve the mission of responsible administration and do little to avoid instances of fraud and abuse.

The system for proving eligibility permits too little agency discretion. Another example starts with the application for food stamps. In 7 C.F.R. 273.1, the head of household is not required to make application and the interview may take place with another responsible member.

In cases of fraud, abuse or overpayment, it is difficult, if not impossible, to prosecute this "other member" of a household since we would need to show that any other member clearly knew that the facts "misstated" were false.

The more that can be done to avoid confusion of the applicant or client, the greater are the chances of avoiding overpayment and, just as importantly, avoid having the client charged with fraud. For example, the FNS regulation, 7 C.F.R. 273.12(a)(i), specifies that the client is not required to report a change in income of $25 or less. In fact, a form is recommended for the agency to use for clients to report changes.

I would recommend that clients be advised that any and all changes in income be reported without regard to amount and a form mandated whereas the household head signifies his/her understanding of what to report. The State agency would have the responsibility to determine if the benefits should change. In my experience as fraud director, I find clients do not often report changes in income on the basis that they were told not to report it unless a major change in income has occurred. Proving criminal intent with this defense is extremely difficult. Let us not remove the incentives of the working poor to report income by taxing them dollar for dollar in benefits.

My experience indicates a tendency for an individual to fail to report or declare based upon the fact "I knew my benefits would be reduced or lost." I do not condone the failure, but I favor making a reasonable difference between those who work and those who choose not to work.

Current food stamp regulations also provide for mandatory collection of overpayments only in the event of a fraud conviction by the court or an administrative fraud hearing held by the agency. Public Law 97-35, Omnibus Reconciliation Act, corrects the problem whereby a State is able to recover overpayments from future benefits in nonfraud situations. This will do much to enhance the image of the food stamp program and correct some abuses.

I do not believe a household should benefit in one program from being convicted of fraud in another. Currently, if an individual is convicted of fraud in the AFDC program, recovery is taken from the grant resulting in an increase in the food stamp allotment. This situation is created since we must consider the AFDC grant minus the recoupment the agency is taking when we figure income for food stamp purposes. If this were a joint food stamp-AFDC conviction, we would, in effect, recover from food stamps an amount approximately equal to the household's increased bonus.

I suggest this serves as no deterrent to fraud.

In summary, the food stamp program in Vermont has met its objectives quite effectively, and a significant contribution has been made in the nutritional well-being of needy Vermonters. Large instances of documented abuse and fraud do not exist in Vermont. However, I do see the need for some rather radical surgery on the regulations, which are unnecessarily numerous and complex, when essentially the means test for eligibility and issuance comes down to a family's income and resources.

Some of the recommendations made would do much to prevent fraud and, in those cases where fraud is involved, our ability to convict would be enhanced. Certainly improved success in recoveries would act as a deterrent to fraud and result in greater public acceptance of the program.

From my vantage point, overissuance is a very costly problem in the food stamp program and, too often, we are led to believe the total cause is fraud and agency error. Agencies need more flexibility and discretion in determining their procedures, particularly in the areas of verification, issuance deadlines, recoupment and processing standards.

The goals of the program could be better achieved by FNS establishing broad guidelines with State plan requirements rather than attempting to fit every State into a straitjacket of specific rules and procedures. We could then more clearly establish how much fraud and abuse we truly have.

I thank you, sir.

The CHAIRMAN. Thank you, sir.

Mr. Davis?

STATEMENT OF RUFUS S. DAVIS, DIRECTOR, OFFICE OF FRAUD AND ABUSE, GEORGIA DEPARTMENT OF HUMAN RESOURCES, ATLANTA, GA.

Mr. DAVIS. Thank you, Mr. Chairman.[1]

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[1] See p. 116 for the prepared statement of Mr. Davis.

Let me point out that my perspective is that of prevention of fraud and abuse, and my statement may not reflect the views of the program administrators in my State.

I think it is a distinct opportunity to bring you some of the ideas we have for improvements.

I would like to recognize and express appreciation for something you have already done, and that is by making the incentive awards available to the States to allow us to begin building capacity for investigations and prosecutions in this area.

Those changes that were made a couple of years ago that allow States to retain and utilize some of the recoupments that have been made in fraud cases have allowed us to do that in Georgia to the point where we now have at least some minimal level of investigative assistance throughout the State.

It has also allowed us to be a little bit more careful in preparing cases for court, and so prosecutors are somewhat more willing to accept cases that we have to offer.

As to our suggestion for further change in the program, I think it is time that the Congress might seriously consider abandonment of the food stamps as a method for providing assistance.

An endorsement-required document, such as a voucher or a check, we think, should be substituted. Food stamps have proven to be an expensive and abuse-prone method. Transportation and distribution and accounting for the stamps entail considerable costs and risks which are generally not present in cash programs.

Recipients and vendor abuse has created an environment where a food stamp is almost as acceptable as cash, although subject to discounts.

Food stamps are not accountable. Tracing of lost stamps or stolen stamps is almost impossible. Significant trafficking, we think, could be eliminated by this substitution.

The food stamp program, being a product of numerous interests and philosophies, has developed into an extremely complex entity virtually indecipherable even to the expert and intelligent.

Efforts need to be initiated to reshape the program, to design it so that it can be operated efficiently using automated systems and to recognize that eligibility determinations are, in many instances, made by the same workers who must be expert in several other complex and difficult assistance programs.

We believe that it would be desirable to stop trying to tailor each assistance grant to the individual.

We know that much of the complexity of the program is related to income and work-related expenses and that it would be helpful to standardize such expenses and make eligibility a function of income after mandatory deductions, based on household size.

By eliminating some of the complexity of this and other public assistance programs, it would be possible to bring about a more careful alinement of policies, procedures, and requirements mandated for their administration.

Considerable improvements should be obtained, especially in those areas where eligibility workers commonly work across program lines.

There are a number of alternative strategies which we believe would be useful in correcting problems of fraud and abuse not presently allowable under the regulations.

For example, in 1981, the Congress approved a tax intercept system for use in the child support recovery program which allows the States to intercept refunds due from the Internal Revenue Service to clients who have not honored repayment orders.

We believe this system would be useful in the food stamp and other public assistance programs as well.

Recent changes in the aid to families with dependent children program require recoupment of both fraud and nonfraud losses and authorizes the use of grant reduction mechanisms to carry this out.

While the food stamp program allows for grant reductions on fraud cases, it is not allowable on nonfraud claims. We believe it would be helpful and useful to extend this mechanism to recoup nonfraud losses.

Food stamp regulations provide for an arbitrary 12-month cutoff in calculating nonfraud losses.

We believe that this seriously masks the extent of loss experienced. We believe overpayments, regardless of reason or time period, should be subject to reasonable recovery efforts.

As in the case of the aid to families with dependent children program, food stamp regulations require that semiannual quality control surveys be accomplished by each of the States to statistically determine the percentage and type of errors and losses in the program.

We applaud this requirement in the belief that a good quality control system is, or can be, an extremely effective management tool.

However, we note with concern that the FNS-mandated quality control system completely ignores fraud or wilful misrepresentation as a sample characteristic.

The FNS system categorizes errors as to origin, client or agency, and by type, but makes no attempt to isolate deliberate wrongdoing by the client.

This not only masks some of the more important underlying causes for fraud, waste, and abuse in the program, but makes the quality control survey much less valuable to the State agency in examining and developing corrective action plans.

Thank you. I will be happy to respond to questions.

The CHAIRMAN. Thank you.

Mr. Smith, you mentioned home visits, and giving advance notice. Do you think investigation could be improved with or by unscheduled visits?

Mr. SMITH. Senator, what I am really suggesting is perhaps the State of Vermont and perhaps most States would not want to do all applications by going out to a home visit. It would be very costly.

But I think it serves to put the applicants on notice that elements of that household they have declared to be factors, material facts as to who is there and what the arrangements are, it puts them on notice that there is a possibility that a home visit could be done and we do not require their permission.

So, yes, I think it would enhance it.

The CHAIRMAN. Let's talk about heads of households not doing the actual applying. You refer to that, Mr. Smith, on page 3 of your prepared text.

We have had a number of States to complain about fraud possibilities in such a scenario. What would be your reaction, and I ask both of you this, to limiting such representatives of the household, the head of the household, to partially have its elderly, disabled, and those employed full time—would that be helpful?

Mr. SMITH. As I said in the testimony, if we are really going to tell the States to find the cheaters, you are going to have to use a process similar to the AFDC program. That is, you have the same person who applies come in for each review. They sign the same documents, and waivers are not basically permitted, only in hardship cases.

I agree with what you are saying, basically. The States should have the options to set up guidelines under which they can waiver the presence of that member in a personal contact.

The CHAIRMAN. Do you agree?

Mr. DAVIS. I agree.

The CHAIRMAN. Senator Leahy?

Senator LEAHY. Thank you, Mr. Chairman.

I know in Mr. Davis' statement on page 2 he says a number of ideas were sent to you during February of this year. Would it be possible for me to see a copy of whatever he sent to you?

I would like to submit my questions based on that. It would be helpful. I do appreciate the comments you made about some of the improvements that came out of some of the legislation that Senator Dole and I submitted, and it is always nice to know we do something right.

I am going to ask a question of my fellow Vermonter here, if I could. I go back to an article written by David Stockman in the Journal of Social and Economic Studies. He identified marginal tax rates as one of the greatest causes of welfare and food stamp fraud. He says it promotes fraud because recipients are likely to conceal earnings because so much of their earnings are taxed away.

Mr. Stockman goes on to say that people in high-income brackets have a lot of things available to them—tax preferences, nontaxable compensation, various accounting gimmicks, and so forth; but the poor, if they want to conceal income, the only way they can do it is to take it in the form of leisure, to use his expression, or not report the income itself.

Is this withholding of information on income a significant problem in the food stamp program?

Mr. SMITH. It is the major problem we have identified.

Senator LEAHY. So, Mr. Stockman's statement is correct?

Mr. SMITH. Recipients are human beings like other taxpayers. The minute you start taxing dollar for dollar, my impression is that he is a hundred percent right. The tendency to get away with something is very great. I think you will find IRS tax fraud increasing as we move in this direction, also.

Senator LEAHY. The reason I asked that is there is a proposal to change the benefit reduction rate from 30 to 35 percent, and also eliminate the earned income deduction. That is going to raise the marginal tax rate of many recipients to, actually, over 100 percent.

Won't that increase either people who will actually stop working, or people who won't tell the truth about their income?

Mr. **Smith.** That is my personal fear. I really fear that will happen, Senator.

Senator **Leahy.** Thank you, Mr. Chairman.

Senator **Dole** [presiding]. Thank you very much.

Senator Helms had to depart.

You mentioned, Mr. Smith, that the problem in food stamp households receiving additional benefits when they have had AFDC benefits reduced due to fraud.

Do you have any examples of how this happens? Somebody gets one benefit reduced because of fraud and it increases their food stamp benefit?

Mr. **Smith.** Yes; I think I can give you two real live examples: We have a family consisting of a mother and two children. They were receiving an AFDC benefit of $346 a month. The mother had some employment. She was convicted of fraud in AFDC and we were recouping $100 a month, and that was the amount of her exempt income in accord with current regulations.

Prior to the conviction, she was receiving $108 in food stamps. After the conviction, she received $138, or an increase of $30.

It generally works out in most cases that every $3 of AFDC money you recoup, $1 is pushed onto the food stamp bonus.

So, in effect, there is some benefit of having the conviction.

Senator **Dole.** I think that is a problem we are going to have to deal with.

Mr. **Smith.** I feel, looking over the act, it probably would require a statutory change.

Senator **Dole.** That would certainly weaken the penalty for AFDC fraud, if you pick up some of the benefits in food stamps.

Mr. **Smith.** You cite two people. It is error-prone from both sides. The workers get upset. They ask me, "What kind of a program, when you can gain by being convicted in the other program?"

Again, I guess I am suggesting that if we make these changes, we make them principally around being convicted of a fraud in a public assistance program rather than some other type of overpayment.

Senator **Dole.** I don't know whether I asked each of you about your experience with expedited service. I supported that proposal, and now I understand that most all food stamp cases are handled in that way, expedited service has not been quite as good in practice as it was advertised to be earlier on.

Do you think it might still work if we made it not mandatory, but gave you that option in deserving cases? Would you have a problem with that provision being put in the law?

Mr. **Davis.** I was very surprised by the testimony of the GAO officials of not finding as many errors in expedited cases as others.

I have only anecdotal information to go on, but it has been over the last 2 to 3 years a very widespread belief in our State that there were very high errors associated with expedited services.

I would support an option for the State to use that in any way they saw best.

Mr. **Smith.** I would support the same thing in Vermont. We have an excellent general assistance emergency program, and from the moment expedited services started, and this is tremendously expensive to administer, and takes the focus off the regular program, staff resources, et cetera, probably created a real problem in overpayment, and certainly expedited service is unnecessary, I feel, if you have a good emergency assistance program.

So, yes, Senator, I would feel an option for a State to either scrap it or carry on with what should be done.

Senator DOLE. One thing the administration proposes is to eliminate the $10 minimum benefit for all recipients. That does save some money, but not a great deal. How do you accomplish this? What does it cost you to mail the $10 benefit?

Mr. SMITH. Administratively it is valuable. From my perspective, it is sort of nickeling and diming the program. I don't think that is where the big losses are occurring.

Mr. DAVIS. I would agree. I see very few problems associated with the minimum payment.

Senator DOLE. Have you seen the administration's proposals for reductions in the program for the next fiscal year?

Mr. SMITH. Some of them, yes,

Senator DOLE. Do you have any of them that you violently oppose, or any of them that you mildly support? Let me put it that way. [Laughter.]

Mr. DAVIS. I think one area is almost axiomatic that the administration proposal to combine all the administrative costs of the assistance programs and cap it at a level that is less than is currently being expended, if that goes into effect, the States will stand very little chance to reach any tolerable levels to reduce its error rates in the food stamp programs.

Senator DOLE. I support that. That echoes my sentiments exactly. Cutting the program at a time when unemployment is high and more eligible individuals are bound to be coming on defeats the purpose of the program. Unless our economy changes dramatically, it doesn't make an awful lot of sense.

What does make sense is to tighten the program a little bit up front to make sure that only eligible people receive benefits. Any cut like this comes at a very bad time.

If these changes are made, they would not take effect until the economy is in a recovery period. I think you are right. I have viewed the food stamp program as a sort of economic barometer. I can see the numbers going up as unemployment goes up, and costs going up as food prices go up. Food prices have been stable in most areas. The cost, from that standpoint, hasn't increased a great deal, I think.

Inflation was down last month to an annualized rate of 3 percent. It is better than many expected. It is primarily, in my view, because of the recession, but this does keep the cost of the program somewhat stabilized.

The administration is looking at reducing benefits, and a number of other things. They would include all energy assistance payments as income, which would probably be something that Vermont would have an interest in. Do you have any interest in addressing this proposal?

Mr. SMITH. Read that one back again?

Senator Dole. They propose to include as income all energy assistance payments to households in determining eligibility for food stamps. There is a fairly substantial savings of $255 million projected for fiscal year 1983.

Mr. Smith. Actually, coming from a very cold State, Vermont, I certainly, again, I don't really think that that is going to create really that much of a savings.

Senator Dole. How about a warm State?

Mr. Davis. We still have a significant energy problem. At any point, where we trade off one grant against another one, I have some problems with that.

Senator Dole. I think this indicates what a difficult job we have, but you provided us with some good testimony, although I missed part of the statements. Hopefully, we can look at some of these areas, particularly error rates, and make some changes that would be helpful. However, I think we have a couple of examples, in which the States are really trying, and even there, error rates are 10 or 11 percent, or have they come down?

Mr. Davis. Ours is about 10.6 percent.

Mr. Smith. Ours is about 10 percent.

Senator Dole. If they would go down as much as inflation, we wouldn't have any problem.

Mr. Smith. To err is human, and we recognize that there should be some errors for a State without being penalized to make errors. That is being human.

Senator Dole. Five percent?

Mr. Smith. I wouldn't say 5 or 10 percent, but States should be given incentives to correct the problems. If you penalize them and mandate a zero error rate, that is like saying that our eligibility workers aren't human. Believe me, they are.

Senator Dole. I don't suggest a zero error rate. I think even 3 percent may not be realistic. But 20 percent is not realistic, either. If one out of five of you have a high error rate, as they do in New York, this is unrealistic. For some reason, they always have more errors in New York.

Mr. Smith. Error rates now boil down to about half recipient and half client. We can reduce the client rate by taking some of the suggestions I made. Our workers tell us we can do more with that recipient error rate.

Senator Dole. I have overtaken my time, but how about retail fraud? I understand from Department witnesses that this is another area in which there have been improvements. Do you agree with that?

Mr. Davis. There has been. I think they have taken a much harder line with trafficking now and it seems to be paying off in our area. Most of the cases seem to be getting the attention they need, and I think that has been given better attention than any other area in the program.

Mr. Smith. That is our observation, too. In the last 6 months we have had cooperation from the Postal authorities, the Office of the Inspector General. A small State like ours, we can call up and have assistance.

This was not true 5 or 6 months ago. So somebody is giving them the right message. It is working much better.

Senator LEAHY. If I could follow up on a question that Senator Dole asked on the energy assistance programs. Isn't the administration proposing in effect, having this assistance offset against food stamps? I am very concerned that we get ourselves into a heat or eat situation.

Now, we are into the first or second week of spring. Mr. Smith, what was the lowest temperature you noticed over the weekend back in Vermont in this first full weekend of spring?

Mr. SMITH. I will tell you, it was probably as cold a day on Saturday, or March 27, as we have had all winter. The temperature—the wind was 60 miles per hour with about a five below to zero temperature in most of Vermont.

Senator LEAHY. So what would you have guessed the wind chill factor was, 20 below zero?

Mr. SMITH. I think we heard estimates of 45 below. The winds were unbelievable.

Senator LEAHY. The chamber of commerce will say that is spring weather in Vermont. The chairman knows my feelings on this. I will continue to oppose the offset of energy assistance against food stamps.

I was glad to hear the same comments coming out of Georgia, because it is not a situation exclusive to the so-called snowbelt, but if springtime weather can get down to a wind chill factor of 40 to 45 below zero, we have real needs.

Thank you, Mr. Chairman.

Senator DOLE. I will ask a question for Senator Helms. I understand both of your States are interested in intercepting or offsetting income tax refunds in order to offset overpayment of food stamps and benefits from other programs.

Mr. DAVIS. We have authority in the AFDC program for offsets. We are seeking that authority in the food stamp area in the most recent session of the State legislature. The bill got bottled up in the Ways and Means Committee. We look forward to next year. We would hope that the States would use that assistance with IRS on Federal tax refunds, as well.

Mr. SMITH. In Vermont, we have been using the system in our child support program. Not particularly all that beneficial. There are some problems with it. It is administratively complex. We do have State legislation which may be passed by this legislature that is now in session in Vermont whereby we can collect any State claim which would include, naturally, food stamps, that are owed the State.

We plan to go quite slowly with it, principally use it for 4-D next year, and if that works effectively, then later for claims owed by a food stamp recipient, fraud and nonfraud.

It will have, certainly, a deterrent effect, because if people realize there is a forced way to pay the money back, they might think twice before they give a misstatement on the application.

Senator DOLE. Do you have any other questions?

Senator LEAHY. No.

Senator DOLE. Thank you.

We now have a panel of local administrators—Elizabeth Samkowski, director, Department of Public Welfare, Marion County, Indianapolis, Ind.; Frank Joseph, superintendent, Social Service

Bureau, city of Danville, Va.; and Benjamin Niblock, director, Department of Social Services, Johnston County, Smithfield, N.C.

What we would like to do is have you go ahead and summarize your statements. Your entire statements will be made a part of the record. I will have some questions; and, if you can come back at 2 o'clock, I think Senator Helms may have questions. Will that cause anybody problems as far as transportation is concerned? If you can do that, that would be fine.

We will start, Elizabeth, with your statement. You will summarize that for us, and then we will hear Mr. Joseph, and then Mr. Niblock. If you heard anything here this morning that you ought to correct, we would be happy to listen to your comments.

STATEMENT OF ELIZABETH SAMKOWSKI, DIRECTOR, DEPARTMENT OF PUBLIC WELFARE, MARION COUNTY, INDIANAPOLIS, IND.

Ms. SAMKOWSKI. I appreciate the opportunity to appear before you today.[1] I want to make a few general remarks about our entitlement programs, and then remarks about improving the integrity of the food stamp program.

When ideas are incorporated into laws, they become terribly powerful. A concept which has gained great power in the last 20 years by being implanted in our welfare system is that of income leveling. The Government is playing Robin Hood, transferring wealth in order to insure security and equality of condition. The definition of "poor" has become so blurred by overuse and income distribution payments that only the experts and statisticians know who fits in that category. The person denoted as "poor" now seems to be any recipient of a proposed transfer payment. We are destroying our national productivity and character in a vain attempt at economic leveling.

What is happening today, Senators, is that the Government is defining, thereby creating, and continuing to support a rapidly expanding group of people known as the poor. Even in times of prosperity, the ranks of the so-called poor have continued to grow.

When I began working in public welfare over 20 years ago, my purpose was to assist crippled children, the aged infirm, the disabled—those who could not help themselves. Now, I find myself administering programs which sometimes subsidize indolence, immorality, and family disintegration. I am confident most mainstream Americans still want to help those who are truly unable to provide for their own needs, those who are helpless in that they are incapable of providing basic necessities for themselves. As a nation, we have historically been generous to the destitute, the hungry, the homeless; but our compassion was tough minded. Each person was expected to work to the limit of his individual ability to achieve an adequate quality of life for himself and his family.

Examples of the leveling ideology leading to permanent dependency through expanding welfare programs are present in Marion County. A local caseworker related that during a home visit, a small child asked her mother who the visitor was. The mother replied, "Oh, that is my caseworker. When you grow up, you'll have one, too."

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[1] See p. 118 for additional material submitted by Ms. Samkowski.

In 1981 our county issued $45 million in food stamps to some 82,000 persons each month. Last month our food stamp issuance totaled over $3.5 million to 28,000 households, including 80,000 individuals. With some 765,000 persons in the county, about 1 in every 9 is now receiving food stamps. During the last 15 years while our county population diminished by over 3 percent, the number of food stamp recipients increased almost 1,000 percent. I might add that we have generally enjoyed a rather stable, healthy, and expanding economy in Marion County.

If this rate of increase keeps up, every little boy and girl will one day have their own caseworker. I doubt that the real need for food in Marion County increased tenfold in the last 15 years. The program increased more than the need. Our rules and regulations do not reflect an accurate definition of who really needs assistance—who is poor.

Senators, I am sure many of your constituents are upset, angry in fact, at a system which often forces both parents in a family to work to make ends meet and pay all the bills, and taxes, while others are given a choice of a free ride. Few welfare employees have not heard embittered taypayers complain about standing in line at a grocery store checkout counter, wondering if they have enough money to pay for their carefully selected groceries, while food stamps are used by others to purchase expensive cuts of meat and gourmet foods which the average taxpayer cannot afford.

I commend and support the steps already taken to target program benefits to those most needy, and to strengthen antifraud provisions. I respectfully suggest that the following specific proposals may improve the food stamp program:

First, expedited certification which provides rapid food assistance to many households opens a broad potential for both abuse and error. Since most verifications are postponed, deliberate misrepresentation or downright cheating occurs that is not detected when the participant simply allows his case to be canceled after the first allotment by failing to provide that verification. Caseworkers faced with deadlines tend to overlook discrepancies in order to comply with time limits. Households that have no income soon learn that it is not important to keep appointments, because they must be treated in an expedited manner if they file a late application.

Further, applicants not in urgent need of food because of having recently lost a job add to the burden of the expedited system. I have three recommendations related to expedited certification: (*a*) Eligibility for expedited certification should consider income from the previous 30 days. I propose that retrospective budgeting be implemented immediately for all cases. I believe that is to happen in October 1983, (*b*) Households should not be eligible for expedited service at the time of recertification, (*c*) The time limit for expedited benefits should be extended to 7 days from the present time.

Second, a requirement that able-bodied persons who receive benefits be required to repay those benefits through their public labor for the public good is highly desirable. While I recognize that a work fare program involves a great deal of administrative complexity, and that it may be difficult to find appropriate work, I feel that maximum effort should be directed to establish a functional program which will allow the able-bodied needy to, in some part, repay society through their labor and to discourage those who are not in real need. There is nothing wrong in working for benefits.

Third, from its inception early in the history of food stamps, work registration has mainly been an ineffective exercise in paperwork. The job search requirement resulted in some improvement; however, the system loses a large part of its effectiveness due to the complex interrelationship between the local employment service, the applicants, and the food stamp office.

Assistance in finding employment should be the exclusive function of the employment service, having no involvement with the welfare department. Welfare workers are not trained as employment counselors. I recommend that, as part of the application process, an able-bodied participant be required to furnish verification from the employment service that he has participated in appropriate registration or job-search activity. Contacts with the employment office should be separate and independent from the food stamp application process.

Fourth, I further recommend that there be no exemption from work registration for able-bodied persons between the ages of 18 and 60. There is no logic in exempting food stamp recipients from work requirements if they have children under the age of 12 when the non-recipient-working person does not have this luxury.

Fifth, the effect of certifying persons in alcoholic and drug rehabilitation institutions is to provide a subsidy for those facilities at the expense of creating a series of complex requirements within the food stamp program. I recommend the elimination of benefits to persons in institutions. If there is a need to subsidize such facilities, a vehicle other than the food stamp program should be utilized.

Sixth, the present requirement that home visits in questionable cases be scheduled in advance, and then only with permission of the applicant, encourages fraud and abuse.

Seventh, under current rules, if an applicant does not furnish requested information on time, the agency must not only end additional notices to him, but also may be required to provide retroactive stamps to the procrastinating applicant. One questions whether there is a bona fide need in such a household that would justify the additional cost in caseworker time, postage, and paperwork. I recommend that all applications be either approved or denied no later than 30 days after they are filed, with no requirement of followup by the agency.

Eighth, under present rules, an applicant may describe circumstances in his household relating to multiple incomes, food purchasing, storage, and preparation, et cetera, which result in his application being denied. Upon learning this, he then may immediately contrive a new set of circumstances which cause him to be eligible, allege them to be true, and the agency has no choice but to issue food stamps. To avoid this, I recommend that, if an applicant has been properly denied stamps, the denial should ordinarily have the effect of excluding that applicant from participation for a specific time period, probably 30 days.

Ninth, the requirement of having facilities for cooking should be reinstated, subject to verification by the worker. Currently an applicant must only verify residency in the county, not an actual address. This leads to complex, time-consuming information gathering on the part of the eligibility worker. For example, if an applicant states he lives in a car, the worker must then determine where he parks, and verify this with the person on whose property it is parked and continue the certification process.

Tenth, since food stamps are only dispensed in dollar amounts, how to handle change from a purchase is always a problem. The system has fluctuated between allowing change in money, as we now do, to requiring grocers to give tokens or credit slips which can be applied to subsequent food purchases. Stories abound of children using $1 or a $5 food coupon to purchase a 5-cent or 25-cent candy bar, and then spending the change to enhance the coffers of the Pac Man vendors; or adults accumulating change from several stores or checkout counters, and then using the money for cigarettes and alcohol. Just last week I talked to a local liquor store manager who reports he can always identify food stamp days by the increased volume of business. I propose that we eliminate the giving of change, and require grocers to give credit slips which may be used later.

Eleventh, such visible abuses of food stamps, as those related above, are found among those who need food stamps the least. The elderly and disabled, the truly impoverished, simply do not have enough money to afford frivolous expenditures. Further, much of the criticism of the food stamp program occurs because luxury items—for example, a recent purchase of $35 worth of crab meat, unaffordable to the average middle-class family—are bought with food stamps. Can households who spend their money in this fashion truly be denoted as poor? Could it be that a reduction in the benefit level for individuals able to work, able-bodied persons between the ages of 18 and 60, would not only discourage such imprudent buying, but offer less incentive to seek food stamp assistance? Perhaps serious consideration should be given to reducing the allotment to those persons by 20 to 25 percent.

My final proposal may seem somewhat harsh, but I believe it deserves thought:

Why should not the participant who normally enjoys a high-income level, temporarily causing him to seek public aid, not be required to repay food stamps at an earlier date. Or perhaps all recipients who are capable of working should be required to repay some.

I was appalled last week when our food stamp supervisor remarked that, although the purpose of the food stamp program is to feed hungry people, it is really designed, and I quote, "to provide monetary assistance to those who are most manipulative." I trust we will continue to seek ways to discourage and frustrate those who would manipulate the program. We must be generous and compassionate toward those citizens who are truly needy and those who are helpless and without resources to provide for themselves. We must be equally as resolute in our determination to encourage self-reliance and the pride of independence and self-respect among those who are able to provide for their own needs.

Thank you again for the opportunity of sharing my thoughts.

Senator **Dole**. Thank you.

Mr. Joseph?

STATEMENT OF FRANKLIN JOSEPH, SUPERINTENDENT, SOCIAL SERVICE BUREAU, DANVILLE, VA.

Mr. **Joseph**. Mr. Chairman, and members of the committee, I appreciate the opportunity to speak to you for a few minutes about the current status of the food stamp program and also recommendations as to changes that need to be made.[1] I represent the Danville, Va., Social Service Bureau, a welfare agency with a food stamp caseload of approximately 1,800 cases each month.

In reviewing the new food stamp regulations which were passed last year, we have not found that recipients were hurt by these changes, and we have not experienced a reduction in caseload. The current economic stiuation, instead, has increased the caseload slightly. Actually, because of the $85 standard-deduction regulation, the number of food stamps issued per family has increased by $26-per-4-person household. I believe that more changes in the program are necessary as there continues to be much duplication of effort between different parts of the general public welfare programs when defined broadly. The thrust of my proposals are to: (1) Eliminate abuse in the program; (2) improve the system from an administrative viewpoint; (3) eliminate inequities in the program; and (4) emphasize the client's responsibility.

SEPARATE HOUSEHOLDS

I recommend that the separate-household regulation be changed and that everyone living under the same roof shall be considered as in one household unit and the income of all household members be counted in determining the allocation.

Comment: The 1981 change in separate-household regulations to count the income of immediate relatives and not allow the separate household for them has been a great improvement. However, more change is necessary as we have numerous situations where the system is being abused. For example, we have a case where a couple is living together, and the man earns approximately $25,000 a year, which is at least $10,000 above the Danville average income. Because he declares they buy and eat their food separately, none of this man's income can be considered available to the woman and her children under the present regulations. Even if the children are his children, none of this income can be counted. It is our feeling this regulation is a disservice to the taxpayers as those households who are able to provide for themselves should do so. Sometime in the past, we have had groups go into the public-housing area and actually run courses on how to answer the questions in the agency. In fact, we had one client who actually brought the manual to us. This was about a year and a half ago. I thought that would be an interesting point.

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[1] See p. 121 for the prepared statement of Mr. Joseph.

EXPEDITED SERVICE

Only those households who have not received any income in the month of application and who do not expect to receive any income the rest of the month of application should be eligible for expedited service. All other households should be required to go through normal verification procedures. Some clients will be receiving paychecks after the date of application, but during the month of application.

Comment: Presently this provision is being abused severely and about 40 percent of initial applications result in expedited services. In many of these cases, there is not an emergency as there is income or other resources available to the client. However, under the present regulations, if the client states they have an emergency situation and no resources, we must accept their word and process the application as an expedited service.

A person who is processed as expedited should have a lower-resource level than regular food stamp applicants. Families with $1,500 in the bank do not have an emergency situation.

Comment: Present regulations allow a family to be eligible for expedited service if they have $1,500 or under in the bank. It is our feeling that individuals with this amount of money in the bank do not have an emergency situation requiring expedited services; and, therefore, the limit should be greatly reduced for them to be eligible for expedited services.

RESOURCES

As to resources, the client's home and one lot, if within a town, or the home and 5 acres, if outside a town, should be exempt as a resource. He might even have attached to the home a small factory.

Senator DOLE. Are there any examples of that?

Mr. JOSEPH. I got this from another agency. They say they have examples.

We recommended this change, as the current regulation states that the individual can own a home and all land directly attached to it which could be 150 acres of prime farmland or even a greater amount of land. We believe that some realistic limit must be put on the amount of land a client can own and still be eligible for help through public funds. Land is a resource that can be turned into money.

INCOME

All sources of income in the household should be counted in figuring the food stamp allotment regardless of source.

Comment: We believe that all families should be treated equally who apply for food stamps. Under the present regulations, many individuals are treated differently because of special exemptions of income which include vendor payments for rent and utilities, Vista volunteers, CETA, boy friends, section 8 checks for utilities, children's salaries, et cetera.

An an example, we have presently a Vista volunteer placed in a local legal aid office, earning approximately $500 income per month and none of this income can be counted toward the food stamp allotment. Another client who earns approximately the same amount working in the Woolworth Five and Ten, we must consider all of the income of this individual in calculating the allotment. The present income policies discriminate against some clients, and we believe everyone should be treated equally.

Clients should be required to provide verification of a change of income circumstances within 10 days of the actual change. If the information is not provided, the agency should then send notification of their intention to close case at the 20-day point. On the 20th day, if verification is not provided, the case should be closed.

Comment: This recommendation involves a problem where the client will call and state a member of the family has become employed but does not provide actual verification of income to be received. If the client does not provide the specific information until after the 20th of the month, it is necessary for us to give them a 10-day notice and continue the eligibility for food stamps another month. However, the client who provides the information promptly will not receive this extra month's stamps. The present regulation treats those who provide information promptly differently than those who do not cooperate with the agency in a timely manner.

ADMINISTRATIVE DUPLICATION

ADC clients should not receive food stamps. Instead, ADC check should be increased, as necessary.

Comment: The above recommendation would eliminate the processing of ADC clients through two programs and save administrative costs.

In order to avoid duplication of benefits, food stamp recipients should not be eligible for free school lunches or breakfasts. Instead, Federal regulations should be changed to permit the use of food stamps to purchase monthly or weekly meal tickets at school offices; this will avoid the necessity of students having to use food stamps in the cafeteria.

Comment: Currently in Danville the same household can receive food benefits in the ADC check, in food stamp allotment, in WIC checks, and in free school breakfasts and lunches for the children. It is not appropriate for us to provide food stamps for 21 meals for each child a week while 10 of those meals are actually provided for the child in the school system. This is a duplication of benefits and is not fair to clients who receive only one benefit.

WORK REGISTRATION

We believe both parents, when they are able, should be registered for work. In this day when more and more mothers are working, it is not unfair to think that those who receive help from the welfare system should. Finally.

ZERO INCOME

We have a specific case where a woman with two children, school age, claimed no income for a year. It was our feeling that she had income, but we could not determine what it was. Among other things, she admitted that she had taken five trips to Richmond to look for work, which is roughly 325 miles round-trip, each trip. She was unable to present a viable explanation. We felt that she was withholding information regarding eligibility and denied, and then appealed to get it up through the appeals process. We were overruled as we were unable to actually determine the source of her income, but the hearing officer agreed that there must be some source of income.

I thank you.

Senator **Dole**. Thank you.

Mr. Niblock?

STATEMENT OF BENJAMIN NIBLOCK, DIRECTOR, DEPARTMENT OF SOCIAL SERVICES, JOHNSTON COUNTY, SMITHFIELD, N.C.

Mr. **Niblock**. Thank you very much, Mr. Chairman, and members of the committee, and fellow members of the panel.[1]

I am the director of the Johnston County Department of Social Services, Smithfield, N.C. Johnston County is primarily a rural county having a population of 70,000, and currently we have 7,500 persons on the program at an average benefit payment of $30 per month, or 39 cents per meal. I am also representing the North Carolina Association of County Directors of Social Services, as chairman of this legislative committee, and in this capacity I have numerous contacts with my fellow directors across the State, and I can assure you that they strongly support the program; and at this point, if I may deviate a little bit from my prepared statement, I would like to take sharp issue with the statements that food stamp recipients are not poor.

All available statistics I have been able to see certainly bear that out; 53 percent, I believe, have incomes of less than $3,600 a year; 87 percent are below the official poverty level, and only 3 percent have incomes as high as $750 a month, or $9,000 a year.

I noticed in Johnston County and also in the previous county where I was director for 5 years, Hoke County, N.C., this certainly was the case, and even more pronounced.

So, personally, from what I have been able to observe and learn, not only from my own county but in talking with some directors in other States, food stamp recipients do represent the very poor people in our society. In my personal opinion, the food stamp program was one of the most effective, far-reaching pieces of legislation that Congress ever enacted. It is a program that has been able to respond to emergency situations, and our experience in the counties I have worked in has borne this out, too, and I think nationally that we will find that food stamp rolls tend to go up only in times of economic downturn. In 1975, they went from 16 million to 19 million, but once the recession bottomed out, very quickly they dropped off to 17 million, or a drop of 2 million. I submit today that once the economy turns around, we will see a very decided decrease in the number of recipients, not only in North Carolina, but throughout our country.

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[1] See p. 124 for the prepared statement of Mr. Niblock.

Of course, I think it has been well documented through the Field Foundation studies of 1967 and 1977 of the benefits, both physically and mentally as far as eliminating disease; malnutrition, which, in turn, also, in my opinion, has enhanced the mental health of our children and will continue to do so; and when you consider that food stamps have not been mandatory in all the counties and localities since October 1974, I don't think we have received the full benefits from it yet.

Some of the cuts that have been proposed I take exception to; and in my opinion, they are wrong. For example, one of the proposals to raise the benefits reduction from 30 percent to 35 percent, with a family that has countable income of $600, you are talking about reducing benefits by 57 percent. The same family, with an income of $500, you are talking about their benefits being cut 36 percent.

When the thrifty food allowance is barely adequate, and I think that is generally agreed, I don't feel that raising the benefits reduction is in order, particularly when you consider the economic conditions of the times.

The food stamp program, like any other program, has its imperfections. I don't try to deny that, and I would work and cooperate in any way that I was asked to to try to implement any improvements. I think, as far as expedited service, I would hate to see that eliminated, because that does enable us to respond to emergency situations very quickly, to relieve hunger and suffering without a person's having to wait a prolonged period, as is true in the case of some other programs.

Some of the improvements that we are working on in North Carolina is toward a target date of January 1983 to have the food stamp program integrated on our computer terminals with the medicaid and AFDC programs which have already been computerized.

We think this will help. The Association of County Directors has recommended to our State that we have uniform training packages like the State of Virginia has, which are contained on video tapes. We also recommended that our regional income maintenance representatives become more specialized so that they could keep up to date and more adequately deal with the changing food stamp regulations.

One of the other recommendations that I have heard discussed and talked about is the possibility that some leeway be allowed in not getting clearance from the clients before we did an investigation, but I would want that to be safeguarded where it could only be used in very specific and special situations.

Eliminating the $10 minimum benefit for one- and two-person households, I am personally opposed to that, because I can appreciate that it is hard for many of us to realize what $10 may seem like, an awfully small amount to those who have more, but when you consider the very low incomes of food stamp recipients, at least in our county, and I believe throughout the Nation, a $10 benefit does mean something, and I would like to see them continue to get it.

I would also be opposed to the elimination of the 18-percent reduction for work expenses, because I think this would prove to be a disincentive for food stamp recipients to continue working. I would like to see that deduction continued at the 18-percent level.

Also, I feel like that we have already had a number of cuts since 1977 in the food stamp program, so it is not that we have not cut back, for example limiting incomes to 130 percent of the poverty level; that certainly was a cutback, limiting the amount of reserve from $1,750 to $1,500, this was another reduction; and in closing, I would just like to say that I really feel like the food stamp program has been an effective program. It is not perfect, as I mentioned earlier, but I do feel like that we have a moral obligation in this country, and I think it is an obligation we are capable of meeting, and I would urge that the program not be cut any further than it has already been, especially considering the economic conditions of our times. We have a great number of people who are not yet on the program that really should be, and I think that we have a vested interest in continuing it at the current level. I think it will prove to be a cost savings as we will have better health care because of better nutrition. I think we will see the cost of the medicaid program go down. I was just reading yesterday that, in the components of the Consumer Price Index, the medical and health care inflation rate was 12.5 percent, which was by far the highest inflation rate of the components used in computing the Consumer Price Index.

Thank you very much.

Senator DOLE. What about the number of recipients in your county? Have they gone down since the budget cuts last year? What is your caseload now as compared to last year?

Mr. NIBLOCK. In February, we had 3,055 households. In December, we had 2,785, but throughout the calendar year of 1981, we averaged 2,869 households on the program, and 7,400 persons.

Senator DOLE. How about average monthly benefits? Have they gone down since the budget cuts in the program last year?

Mr. NIBLOCK. The average monthly benefits have not gone down, but normally Johnston County is a county that enjoys a rather low-unemployment rate, but it is currently at about 13 percent, primarily due to the Sylvania Co. about to close.

Senator DOLE. The reason I ask is that there has been a lot of media focus on how the cuts have been directed toward low-income Americans. You say you have more people on food stamps, and the levels are about the same? Who do they interview around the country? Do they interview in your county?

Mr. NIBLOCK. Local news media have.

Senator DOLE. Have you been asked to tell about abuses in the food stamp program? I find the reporting to be onesided. I am a supporter of the program, to make it very clear. I think it is a good program—one of the best social programs, and one of the most important programs since social security. However, I think there has been a total imbalance in the media coverage of some of the reductions made last year. I wonder, as a matter of information, if anybody ever comes around to ask you about abuses in a program where people maybe getting benefits who shouldn't be. Has that ever happened to you?

Mr. **Joseph**. Nobody asked me. I observed, watching the evening news, local welfare directors are not the ones asked. I think they and their staffs are in a better position to answer it.

Senator Dole, What about in Indiana?

Ms. **Samkowski**. We are directly asked about the program.

Senator **Dole**. But you don't put out press releases about malnutrition already happening and some of the other things that are reported.

Ms. **Samkowski**. I would agree that the food stamp program is the best entitlement program that we have. I am concerned about the people who are getting it who should not be. They are getting too dependent. It is true people get it for food, and it has to be spent for food.

I support increasing the benefits to people who really need assistance; the elderly, disabled, people not capable of working. But I am concerned when I observe the lines waiting to get the stamps. In the morning, we have a hundred people when we open our doors to get stamps. Half of those people are young men and women in their twenties. I think what is wrong with the program, they are becoming too dependent. We are encouraging people. It is too easy to get stamps. I want to do everything I can to increase benefits to people who need the help.

Senator **Dole**. The only point I want to make is that food stamps is a good program. If necessary, it should be tightened up. You have made suggestions, and I am certainly not agreeing with all of them—but some of them make a great deal of sense. In a program this large, there have to be legitimate areas where we can tighten up the program. I don't suggest that we cut basic benefits, but I think the the American people have distroted views from watching the nightly news, or morning news, or afternoon news. They must believe in Johnston County there are fewer people on the program—and Marion County, and in Danville, Va. According to the media, literally everybody has been wiped off the food stamp program. The fact is, in each county, probably because of unemployment, the numbers receiving food stamps are higher.

Ms. **Samkowski**. In our county, in October, as a result of the new regulations, the caseloads did go down about 5 percent, but now they are starting to increase again, and we are actually above the level we were in September. We have have 83,000 households now, 1 out of every 9 persons.

Senator **Dole**. You probably have higher unemployment, too.

Ms. **Samkowski**. Yes. Indiana has been higher than the Nation, as a whole.

Senator **Dole**. How about Virginia?

Mr. **Joseph**. Our unemployment is slightly higher. Usually during the winter months, it goes up slightly anyway. We have tobacco down there, and it is seasonal work which usually runs up into November. They usually start coming in in December and January. I believe it went up a little more than it usually does. But we are in that cycle; we anticipate in the spring when farmwork comes on that there will be somewhat of a reduction again.

Senator **Dole**. There is no doubt about it, when people can work, I think most people would rather work. In most cases, if we get an economic recovery you will see the food stamp rolls shrink. I am not sure to what level, but last time it was 2 or 3 or 4 million people, which greatly reduced the cost.

Mr. Niblock, are there areas in which you think we can tighten up the program? These administration proposals may not pass, but I think there are other areas that we ought to be able to address, and make certain we are protecting the people who ought to be on the program. Maybe they receive greater benefits, or would receive them if certain others were kept off the program. It seems to me we don't do poor people a service by not looking at ways to tighten up an administration. We actually do them a disservice, because we have to spread the dollars around more, to include people who shouldn't be participating in any event.

Do you have any recommendations from your present experience in Hoke County? Where is Hoke County?

Mr. **Niblock**. It is near Fayetteville and Fort Bragg. In fact, part of it is on the Fort Bragg Reservation.

I think the main one I mentioned earlier, or alluded to. On some occasions, right now, without getting clearance from the client, we are not supposed to make collateral contacts, and in a few occasions we suspect there are other persons earning income living in the home you do not learn about without going out and making a home visit, and contacting the collateral other than the ones they are willing to give us. I think we could do that, but as I say, I would want the law to be written permitting that, to be written very carefully so it wouldn't give you a license to bust in on people's homes any time you wanted to.

Senator **Dole**. What about the administration's suggestion that we repeal the earnings deduction, effective July 1, 1982? Are there a lot in your areas—and I know we have a national breakdown—are there a lot of people who are working who still receive food stamps, who might be adversely affected if we started tinkering with that in your counties in Virginia?

Mr. **Joseph**. I really haven't seen that proposal. I don't really know.

Senator **Dole**. If we take away an incentive to work—in other words, if we we are going to eliminate or decrease this 18 percent earned income disregard, what do you see as the result?

Mr. **Joseph**. My opinion is that it will probably not affect the people who really want to work. In the ADC program, my observation over the years is that the 30⅓ really isn't an incentive. I know it is supposed to be an incentive, but I don't believe that is true. The people who are motivated to work are going to work. What we have found is that, when a person gets that, and like a person at one time has a $200 grant and ends up with $300——

Senator **Dole**. Do you have any?

Mr. **Joseph**. I was going to say that because they work next to the person, and they were once on welfare, they get like $100 more income. That is a disincentive to the person who is working. So it is sort of a double-edged sword.

Senator **Dole**. Do you know of any case in which somebody was working before we made changes in the program and quit a job because it is better not to work?

Mr. **Joseph**. I don't know of any in the food stamp program, but I know of some in the AFDC program.

Senator DOLE. Again, I think it is important for the record. As I read stories about the program, it seems to me that we are putting a lot of poor, working people out of work, because they lose benefits unfairly.

Now, given the fact that it is an incentive, we ought to preserve this earned income deduction. There are taxpayers involved in this issue, too. These people contribute to our economy.

Mr. JOSEPH. In our agency, the incentive has been ineffective. We refer 500 or 600 job seekers a year to the employment commission and nobody gets a job, at least not through the State employment commission.

I find the State employment service, finding of jobs for local people who are receiving either ADC or food stamps, are very ineffective. I think we have to work on finding some way to expect more of people who are getting help and motivating them not only to go to the employment office, but we ought to do a real job search.

Mr. NIBLOCK. We have 30 percent of our food stamp recipients who do work, and I know the feeling of our community and our county commissioners is that people that are working are the ones—they actually look with more favor on getting help. My own personal feeling is that, if they are eligible, obviously, they should get help; but I believe the national average for working-food-stamp families is 16 percent, and Johnston county's is 30 percent.

Senator DOLE. What about the error rates? You have heard us discuss error rates with other witnesses. Do you think 3 percent is a reasonable goal on error rates?

Ms. SAMKOWSKI. I see nothing wrong with it as a goal. I don't know how realistic it is. I know in ADC we reduced our error rates to 5.5 percent, which is below what one would expect in an urban area. Right now in food stamps, we are running about 8 percent. I think you need some incentive to really be diligent.

Senator DOLE. Do you need more staff?

Ms. SAMKOWSKI. I believe if I had more staff I could probably do a better job and get it down to 3, 4 or 5 percent.

Senator DOLE. Is it lack of trained people in this area, or lack of funds?

Ms. SAMKOWSKI. We just don't have an adequate staff. I would say that is a State and local problem.

Senator DOLE. Do you work closely with the Governor's office, or whichever division in Indiana is responsible? I am not certain how it works.

Ms. SAMKOWSKI. The Department of Public Welfare. Yes, we do work with them. But we have a strong, conservative county council who controls our staffing. That is what I am up against ordinarily. We can always strive to do better. I don't think 3 percent is unrealistic. I do think one of the problems is—I don't know all the rules yet—but with that 3-inch-thick book of rules, you are bound to have errors. I have left out a couple of things in my written statement, but we could simplify it and make it easier to reduce the errors both for the recipients and the caseworkers.

Senator DOLE. We seem to have a problem whenever the Federal Government gets involved. I don't know in your State program, whether a State program is any less confusing than a Federal program.

Ms. **Samkowski**. Perhaps this is the time to comment that I think the States could do a better job. I am in favor of giving the program to the States. I feel that we can target the priorities; we probably would reduce some of these complexities, intricacies, detailed regulations that are just too difficult to work with. We don't have that choice now.

Senator **Dole**. What about in your area, Mr. Joseph. Is the error rate a problem in your area?

Mr. **Joseph**. I understand from the commissioner that in Virginia the error rate has been going down. He has been telling us that we have one of the better ones for the States. I am not sure about that, but that is what his statement was.

One of the things I would like to say about it is that we probably have a double-edged sword. If the local agency is very aggressive in rooting out fraud, when they root out fraud, they find an error and that increases their error rate. I think that there may need to be some differences between client error and an error that the agency actually made. Because, if the client goes to work and doesn't tell you about it, and you do a review and pick it up, it seems to me that that is really not always something that the agency can know about.

Senator **Dole**. In North Carolina, what is your error rate?

Mr. **Niblock**. 14.38 percent, it is down from 15.26 percent. Unfortunately, I believe we had the second highest. I believe Alaska was a little higher.

Senator **Dole**. But you are working on that?

Mr. **Niblock**. Yes, in our county, it is down to 8.58 percent.

Senator **Dole**. If we put down everything that is classified and qualified as an error—and I am not certain I fully understand this—it is included in the error rate. What is considered an error—$6?

If anything over $5 is an error, you could have a lot of $5 errors, I guess, and your error rate would still be way up there.

Mr. **Niblock**. One of the problems we have in counties in North Carolina is when the quality control analysts come in and pull a record, they don't look at it in the same timeframe; in other words, at the time the certification or recertification was done, everything could have been done completely accurately, but by their pulling it at a different time, and if something has occurred between the certification periods, the county gets charged for an error.

Senator **Dole**. Thank you for your testimony. Your statements will be made part of the record.

If it is satisfactory with the panel, we will come back at 2 o'clock, and Senator Helms and perhaps Senator Leahy will have questions. Would you identify the young man.

Ms. **Samkowski**. This is Mr. Ben Tuttle. He has been working with me for about 5 years in the food stamp program.

Senator **Dole**. I assume some of the recommendations he might make would be in your statement?

Ms. **Samkowski**. Yes, I have him here as an adviser just in case there were technical questions I couldn't answer.

Senator DOLE. I am not that technical. I think you have given us a lot to think about in your testimony, and again there are differencs of opinion on this committee as to what we should do. I don't know of anybody who wants to do anything that would take 5 cents away from a needy person on food stamps, but we do have problems in many areas. If there are areas that should be tightened up, then we ought to make those adjustments. I think in fairness to the taxpayers, whether it is this program, or the dairy program, we ought to make certain they are right. We heard the cries of anguish from all the dairymen, and that program is costing more this year than last year. We ought to be looking at budget reductions not only in programs affecting low-income people, but also in those affecting upper- and middle-income people. Did you have a comment on this?

Ms. SAMKOWSKI. You talked about impressions from the news media. I think people get the biggest impression from the checkout counter in the grocery line. They talk about abuse.

Senator DOLE. Maybe Dan Rather and Roger Mudd ought to go to the grocery store.

Ms. SAMKOWSKI. It was suggested in our town that, if you could run the WIC program, why can't we devise a program where you could limit or have a list of foods; it should be broad, a nutritionally good diet that you could use food stamps only for those foods. That is complex, but I think it is something to think about.

Senator DOLE. I have heard some of those people complain at the same time they are getting big tax benefits that would wipe out the cost of the food stamp program in 30 minutes. Some businessmen get tax credits of 11 percent or 10 percent. That is a subsidy, and just as much of a loss of revenue as the food stamp program. I don't see many people in the grocery line complaining about things like that. I am not suggesting that tax breaks don't create jobs. They may be good public policy, just as there was a good reason to initiate the food stamp program. Some of us who supported the program don't want to destroy it by not being willing to look at it periodically.

I have a different view than some on this committee. My view is to preserve the program and keep it for those who need its benefits. Beyond that, I think we are sooner or later going to have to come to grips with some areas of the program. Some of the suggestions made to me are reasonable. I don't know of a member on this committee who wants to just throw away money. I have great respect for advocacy groups, but sometimes they know how to contact the right people in the media—they give them a press release and it is on the evening news.

Mr. NIBLOCK. I wanted to clarify a question you asked a while ago. You asked about the press. In Johnston County, we have six newspapers. The Smithfield Herald comes out twice a week, and the others come out once a week, but all of them are very supportive of the program. In fact, I would be glad to furnish articles.

Senator DOLE. I won't name the network, but about a month ago, they had 4 or 5 minutes on North Carolina, about how budget cuts had affected people there. They interviewed one poor lady who had lost her job and had two children. The rest of it was how certain budget cuts had affected her situation. But the one question they didn't ask is: "Are you getting any support from your former husband?" The obvious question is: "What happened to the head of the household, where is he?"

Mr. **Niblock**. They were talking about AFDC benefits primarily.

Senator **Dole**. I think this is frustrating. I don't think we are going to cut any spending if we have to satisfy everyone. On the other hand, taxpayers do have an interest.

We appreciate hearing your testimony. I may not be back right at 2, but Senator Helms will be here. Thank you.

[Whereupon, at 1:17 p.m., the subcommittee recessed, to reconvene at 2 p.m. the same day.]

AFTERNOON SESSION

The **Chairman**. The committee will come to order.

I appreciate the help of Senator Dole in presiding over this hearing while I had to take care of another matter. I appreciate you folks waiting until I could ask a few questions for the record, particularly my friend from Smithfield, N.C., whose wife is from the same hometown that I came from.

I don't know whether they claim me down in Monroe, N.C., but they often say that if I had stayed there and had gotten a fair trial, I might have gotten by with a suspended sentence.

Ms. Samkowski and Mr. Joseph, I will direct the first question to you.

Several employers have contacted me over the years noting the discrepancy that food stamp recipients must work only 30 hours per week when more hours of work are available to them.

What difficulty would you see in increasing the average work week to, say, 35 to 40 hours?

Ms. **Samkowski**. I really would support that. I don't see any reason why we have the 30-hour guideline. I feel that if the person who is going to pay the bill, the taxpayer, has to work 40 hours and maybe the husband and wife are both working to pay the bills, I believe the recipient of food stamps should work 40 hours.

Mr. **Joseph**. I would strongly support that.

One of my recommendations that I didn't get to bring up is that the law should require them to work up to 40 hours if the work is available. We have had a number of supervisors in Dan River Mills and Richmond Cedar call and complain to us that the people would only work 30 hours because they said their food stamps would be cut off otherwise.

If they can earn enough to get off, they choose not to work 40 hours a week.

The **Chairman**. Mr. Niblock?

Mr. **Niblock**. I would say if it was a meaningful job commensurate with their abilities, I would not be opposed to it.

They should not have to work in excess of 30 hours if it is makeshift work. It should perform a real service.

The **Chairman**. How would you define "meaningful"?

Mr. **Niblock**. Well, any job in the private sector that needs to be filled and ordinarily is filled. We are not talking exactly about workfare at this point, but I don't feel like the workfare programs that we have had in various States like Utah, Massachusetts, and

California, have proven to be effective at all, and primarily, for the reason that a lot of the jobs such as serving as safety patrolmen. In fact, U.S. News & World Report in their March 30, 1981, issue say that only 43/100 of 1 percent of the ADC recipients that were put on workfare went on to full-time private or public sector job.

Of course, in San Diego, they had a workfare project just involving food stamp recipients and that didn't prove to be successful either.

The CHAIRMAN. You are not saying—and I don't want to put words in your mouth—because the recipient might not like the kind of work that he ought to be able, after the 30 hours, to say I don't like this kind of work, and so I'm not going to work anymore?

Mr. NIBLOCK. No, I am not saying that, but I feel like a workfare project to be meaningful, I think that the salaries and wages paid out ought to be in line with what would be paid to a person who is not a food stamp or an AFDC recipient.

The CHAIRMAN. The Commissioner of the Tennessee Department of Human Resources appeared before the committee several weeks ago, and her suggestion was to limit the duration for which able-bodied recipients could remain on the program.

As I recall, the suggestion was that a limit be instituted—say 6 months as in unemployment compensation. That should be 26 weeks.

What would be your reaction to that?

Ms. SAMKOWSKI. I would favor any incentive to encourage people to work, to seek employment, to stay in employment.

I think it is just too easy for people to depend upon the taxpayers, on the public dole to support them.

We have to turn something around. We have a generation of people who aren't motivated to work, to go out and take care of themselves.

Another thing we are overlooking, the extended family, in many cases, is able to help people who are temporarily in bad straits, and we have sort of destroyed that now. There is no motivation for them to look to relatives or anybody else who could help them.

I would certainly say there would be nothing wrong with that.

Mr. JOSEPH. I would hesitate to do that in that there has to be work available. It seems to me that we need to strengthen the work requirement and really expect more than going to the State employment office which rarely gets people jobs.

People would have to go out in the community and really start knocking on doors for jobs. If jobs are available, we should expect people to take them. I don't want to hear them say: I don't like this job, or that job.

Most of the people in this room have done very many jobs at certain times in their lives, and they didn't say, "I don't want to drive a truck."

That was the way of life. People have become very fussy. For example, in Pittsylvania County, Va., in the tobacco industry, they have a lot of foreign help coming in because a lot of people won't go out and pick the tobacco. It is honest work. People should accept that work.

Mr. NIBLOCK. I would oppose denying benefits to someone just because they didn't have a job and were able bodied. I think we ought to make every effort to provide job training for those who need it to develop special skills, but I don't think the right to receive benefits from the food stamp program or ADC ought to be tied to a specific timeframe and say, "OK, after 6 months, you are able bodied and you don't have a job, so you are off the program."

You have to especially look at the conditions, 2,200 of the food stamp program recipients in Johnston County are working, which means that 30 percent have jobs which is considerably above the national average of 16 percent. I think a lot of mythology has been built up around public assistance programs, not only food stamps, but a number of others.

People who receive the benefits do want to work. I have worked in Winston-Salem and places like Salisbury, and I was in Hoke County. I was director in Hoke County for 5 years before moving to Johnston County 3 years ago in January. I just don't find any evidence to support the notion that people do not work in order to receive food stamps or any other public assistance as a matter of choice. There might be a few cases, isolated cases, but on the whole, I think if they had a choice of working and could get a job that had some hope and meaning to them, that is what they would prefer rather than receiving benefits.

The CHAIRMAN. That may be so, but he raised a point, and so did the lady, which I hear all the time from farmers in Johnston County, and all the other counties, that they can't get help to work for them.

Are they mistaking the situation?

Mr. NIBLOCK. We are one of the major migrant counties, but in addition to migrants, I know a lot of people do work on the farm during the summer.

Some are school teachers and other professions. Quite frankly, I would have to see more evidence before I could accept that.

The CHAIRMAN. Well, the complaints are sufficiently universal, the complaints which are coming to us. I never go to North Carolina, and particularly to the eastern part of the State which is predominantly agricultural, that I don't hear this over and over again. They say they are forced to turn to migrant labor as their own people are on welfare and food stamps.

Mr. NIBLOCK. Until Sylvania our largest employer closed, we had an unemployment rate of less than 5 percent. There was not a large labor supply locally in the county.

The CHAIRMAN. Of course, nobody would be affected unless he or she was unwilling to take a job.

I found in the discussion of the food stamp program that there are a lot of my colleagues who are almost totally unfamiliar with the rather extraordinary attempt currently being required of the caseworker to obtain information from the household-scheduled interview.

Tell me about the burdens on the caseworker?

Are we asking them to do an impossible job, to make judgments when they are not allowed to do so, and so on, and sometimes it has the appearance of encouraging people to stay on the dole instead of getting off of it?

Do you have any comments about that?

Mr. Joseph. I would say that the expedited service does create problems, especially in a relatively small agency where you really take the same staff and you have to pull them off their everyday job to do these expedited services, and that creates a problem.

Also, because you are supposed to do it in 3 days and you are supposed to accept what the client tells you, therefore you later go back very often and find there is information that they presented to you that has not been completely correct, so it requires a going over twice.

This creates a burden on the worker.

The Chairman. Well, we have another panel coming.

Let me get a little provincial and ask my North Carolinian another question.

Back in January, North Carolina was notified that the State owes the Government $3.5 million to repay the overissuances. That is because our State had regressed in terms of errors in 1981, and 1980, and so forth.

Now, some comment had been made by the State officials in North Carolina that lax administration by the counties was the cause of that high error rate.

What would be your assessment of that?

Mr. Niblock. At that time, North Carolina, next to Alaska, did have the highest error rate. We also had an extremely low error rate in aid to dependent children and medicaid, both being around 4.6 percent.

The error rate has come down. Since then, the State has implemented a corrective action plan which we think will bring it down to an acceptable level. Of course, not because of any superior administration on my part, but Johnston County was one of the counties that had one of the low error rates and it has been brought still lower.

February brought it down another 3 points from 11.28 to 8.57 percent.

Of course, I think the reason we tend to have more error rates in the food stamp program, is because it is the largest program in most of our counties and probably all, in terms of recipients, and just by virtue of having a lot more cases, the caseworkers have much larger workloads than the aid to dependent children's program.

For example, in our county, we only have 1,700 aid to dependent children recipients or 612 families, as opposed to 3,000 food stamp families.

That was the figure at the end of February.

The case load for the aid to dependent children programs averages about 140 as compared to 323, but Johnston County in that respect is much better off than a lot of the counties nearby.

Some of them are averaging over 500, so I think it is the volume of work which is definitely a contributing factor to the error rate being higher.

The Chairman. So you don't think it was the fault of the administrators being lax on the county level?

Mr. Niblock. I wouldn't say that was true in all 100 counties, but I think on the whole since I know most of them and have for some time, I feel that they are not lax in their administration.

Of course, very few things in life are absolute, so I'm not going to say in some particular counties that had a high error rate that was not the case.

The CHAIRMAN. Let me ask all four of you this question.

If you were given a choice between an across-the-board reduction or targeted reductions, say the household gross income was below the poverty line, which would be your preference?

Mr. NIBLOCK. To make sure I understand you, would you state the question again, please?

The CHAIRMAN. Suppose you had to choose between an across-the-board reduction or targeted reductions, which would you prefer?

Mr. NIBLOCK. Since the change to 130 percent of gross income and other cuts as far as I am concerned, there shouldn't be any further reduction when you consider the makeup or profile of the food stamp families.

Most of them are well below the poverty level anyway.

The CHAIRMAN. So you would rather have across the board?

Mr. NIBLOCK. No, I am not recommending a reduction.

The CHAIRMAN. I understand, but suppose you had to choose one or the other?

Mr. NIBLOCK. That is more or less a hypothetical or theoretical question.

The CHAIRMAN. It is not.

Mr. NIBLOCK. If you mean by targeting what I think you mean, I would rather it be phased in rather than have it happen all at once.

The CHAIRMAN. How about delaying the cost-of-living reductions as opposed to a reduction in benefits?

Which of those two would you like, at least?

Mr. NIBLOCK. They have already been delayed until October of 1982, from April 1982.

The CHAIRMAN. Do you have a comment?

Ms. SAMKOWSKI. I would prefer target reductions. I would not be in favor of across-the-board reductions. The elderly people are in a bind. People on a fixed income are having problems. The disabled and handicapped are having problems.

I see nothing wrong with giving them a greater benefit and with more incentive for people who have the capability of taking care of themselves being required to do it.

Mr. JOSEPH. I would strongly support targeting. There are many individuals who are on food stamps that have duplicate benefits. As I mentioned in my testimony, there are people who are VISTA volunteers. There are people who are getting free rent and things like that. Some people are getting free rent and others have to pay $110 and they live in a shack.

We don't take that into consideration. Many people who get food stamps have much more purchasing power. There is more room for targeting.

The CHAIRMAN. Senator Hayakawa?

I missed you on my round before.

Senator HAYAKAWA. No.

The questions are good. That particular question fascinates me. Everybody has answered?

The CHAIRMAN. Yes.

Senator HAYAKAWA. Thank you.

The CHAIRMAN. Thank you very much for appearing and being so patient with the Chair.

Thank you for staying over.

Now, we will get into the afternoon witnesses.

We have a panel of State administrators.

Mr. Acel Martelle who is the director of the State department of human resources at Carson City, Nev., and Nobel P. Kheder, deputy director, Michigan Department of Social Services, Lansing, Mich.

Please come forward.

We welcome you to the committee and we appreciate your coming all the way here.

After we see what all those bells are for, we will let you go in whatever order you wish. We will print your entire statements in full in the record. If you will summarize them, we will ask you some questions when you are through.

PANEL CONSISTING OF ACEL MARTELLE, DIRECTOR OF THE STATE DEPARTMENT OF HUMAN RESOURCES, CARSON CITY, NEV., AND NOBEL P. KHEDER, DEPUTY DIRECTOR, MICHIGAN DEPARTMENT OF SOCIAL SERVICES, LANSING, MICH.

Mr. MARTELLE. My name is Acel Martelle.[1] I am the director of the State department of human resources for the State of Nevada.

This includes mental hygiene, retardation, health, welfare, rehabilitation, youth services and aging services.

It is an honor to be here today and to give you my perspective of the present shortcomings of the food stamp program and also to give you my recommendations for the improvement of the program.

Nevada has continuously achieved one of the lowest error rates in the food stamp program, as well as the AFDC known as ADC in Nevada.

Prior to becoming the director, I was for 7 years the deputy director of welfare for the State of Nevada responsible for the assistance payments programs. I have to admit after being away from the administration for a year, many of the technicalities get by you quickly.

Even though we have one of the lowest error rates, there are many problems that I would like to address and then I would like to make recommendations and changes to achieve lower rates and reducing broadened use.

I have provided you with how Nevada achieved low error rates and has achieved accountable welfare programs. This is in my prepared testimony which I have given to your staff, and I will summarize it.

First of all, on mandatory client reporting, even though the law provides for client reporting, I do not believe it is expansive enough to be effective in reducing error rates.

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[1] See p. 126 for the prepared statement of Mr. Martelle.

There should be a penalty to report. There is too much onus since day one on eligibility staff on State and counties. More responsibility has to be put on the client and recipients. If you want to lower error rates, you have to reduce the myriad of Federal regulations and laws and regulations which States are held accountable for, such as third party error that we should not be held accountable for.

Sanctions and/or incentives. FNS regulations continue to hold States accountable for client error, which they have no control over.

Regulations also hold States accountable for third party error. Accountability must be accomplished for program administration through a more fair and equitable system by holding States responsible for their own actions which can then be corrected and controlled.

Fiscal sanctions for errors totally beyond the control of States, in conjunction with regulations which will not allow States to take preventive action, can only be interpreted as a deliberate attempt by FNS to hinder States from achieving incentive funding.

Regulations currently require 2-day expedited service processing, but do not allow for or acknowledge the problems of noncompletion of the QC sample due to inability to locate transient expedited service clients.

FNS is currently proposing to hold States liable for all mail coupon losses over a 1 percent tolerance, yet will not take action to hold the Postal Service responsible for mail theft. FNS has not negotiated a reasonable fee with the Postal Service to make use of ATP's cost effective for States, yet the States are held totally accountable for mail losses, which is out of their control once the coupons are mailed.

Also, in Nevada I went to 100 percent mail issuance and literally saved the Federal Government and the State of Nevada hundreds of thousands of dollars a year, and they want to impose a penalty. We went up to as high as 3 percent on mail loss targeted rate. I targeted on those areas and changed it to mandating that the clients or recipients had to come to the office to pick them up or they went certified mail.

The 1 percent losses are not acceptable.

I have been administering the program for over 8 years in one form or another and I have seen no other program in State or Federal Government that has as many changes as the food stamp program.

The myriad changes create increased errors, due to public assistance interviews and verification processes being not compatible with the food stamp verification problems.

In Congress programs cannot mesh smoothly, creating administrative and client burdens which could be greatly relieved through alinement of eligibility criteria and more uniform case processing procedures, timeframe, et cetera.

Expedited service. Expedited service problems include inability to complete the QC sample—as many of the clients are transients and move prior to QC review—postponement of verification of income and resources to meet the 2-day expedited service often results in overissuance or ineligible cases; extends processing time for other clients due to heavy workload of expedited service cases.

As the food stamp program was not intended to be an emergency feeding program "expedited service" should be removed from the regulations, or at a minimum, be extended to 5 to 7 days with normal verification procedures applied.

Real emergency cases would still be referred to general assistance, community services, county welfare, Salvation Army, Catholic Welfare, et cetera.

Elimination of expedited service would result in completion of the 95 percent QC sample, reduced QC errors, more equitable treatment of clients and reduced administrative costs.

Current medical reduction procedures are prone to quality control error and are burdensome. Elderly clients don't understand program requirements for reporting and providing verification. We only allow the amount of medical expenses not going to be reimbursed by insurance, and this results in clients sometimes not being allowed a deduction for several months.

We proposed to FNS that medical deductions be deleted and a flat amount of increased food stamp benefits for persons aged 60 and older, or disabled, be provided. Allowing a standard benefit increase from these individuals would provide more benefits for those most in need—60 and over/disabled—would reduce administrative costs and complexity of the program, reduce verification requirements for elderly and disabled recipients, and would tend to offset the reduction in food stamp benefits which occurs as the annual social security/ SSI increase occurs.

With respect to management evaluation review, all I can say is that the management evaluation review is a gross example of duplication of effort and should be eliminated from program administration requirements.

States are already mandated by law to efficiently and effectively administer and monitor the food stamp program. The mechanisms for the QC review, corrective action mandates and sanctions for nonconformance in any of these areas are already in place. All I can say is that it is an absolute aberration.

The management evaluation review process is a total duplication of effort on both the State and Federal level and is, therefore, a duplication of cost to the program as well. States are required to conform to proper administration of the program and should have the latitude to develop their own reviewing/monitoring and corrective action plans as long as the program quality and accountability factors are met, and we know many times what is best for us in the State rather than have the Federal Government tell us what is best.

Reissuance of benefits. Regulations allow for reissuance of benefits when clients claim benefits were never received, with two issues allowed in a 6-month period. A stricter limit must be imposed for a number of reissues.

Fraud and abuse laws. Anything over $100 is a felony by statute. Anything under that is a misdemeanor. Regulations must be strengthened to impose greater penalties and to provide for the appropriate ratio of investigative staff in order to deter fraudulent activity—approximately 1 for every 2,000 cases.

Current procedures often allow a household to receive more benefits by eliminating a portion of the fraudulent disqualified member's income from the budget for the remaining household members, thus effecting a loophole in the current procedures. This disqualified person's income should continue to be budgeted for the household in which that person resides.

Implementation of regulations. Regulations are written and implemented with little consideration for individual States' computer systems, internal organizational structures, budget constraints or State administrative act requirements, and often far exceed the Federal law and its intent.

Implementation timeframes are generally short, which I think is an understatement, with newer revised policies which require computer and procedural changes.

FNS allows no latitude for considering individual States, case load characteristics, budgetary constraints, et cetera.

General problems with the food stamp program.

Changes in regulations to the food stamp program have been continuous since the inception of the program with over 50 major changes in the past 4 years. A program which is in a continuous state of flux has no stability, is extremely difficult and costly to administer, is inherently error prone, as well as confusing to both the clients and the workers. It also makes it extremely difficult to accurately estimate the total cost of the program at the national level.

Final changes should be proposed with input solicited from all States prior to proposed regulations being written. It would be beneficial to put a moratorium on all program changes for at least 1 year.

Regulations continue to have an excessive number of policy "exceptions" and contradictory policies, allowing approximately 23 different timeframes, approximately 12 types of household, 12 exceptions to adverse action rules, et cetera, all of which are contributing to increased administrative cost, client confusion and case errors.

Regulations must be redefined and condensed to eliminate as many exceptions as possible. To further reduce administrative program costs, clients must be given more responsibility and accountability, and States must have the option of establishing timeframes for client reporting, worker action, et cetera. These exceptions to every policy are costly to the program in many instances, and prevent efficient administration of the program.

QC regulations versus certification regulations. QC regulations allowed for 100 percent verification, home visits and reviewer/client interviews, while certification regulations limited the amount of verifications a worker could obtain, and interviews with joint PA/FS clients could not be conducted. This made it increasingly difficult to maintain a low error rate.

Policy interpretation response system—PIRS.

Many of the States' policy questions are answered from PIRS. These responses are often contradictory to current policy, are subject to changes, are impossible to track/relate to previous responses, and are generally of little benefit.

Since January 1979, some 800 plus policy responses have been sent to State agencies. Almost half of these have been rescinded, obsoleted, or revised.

This system is virtually useless, and endlessly confusing, and should be discontinued.

Recommended changes.

Reduced FNS control over States' programs by allowing States greater flexibility to administer the program.

Compatibility of regulations with AFDC program.

Mandatory reporting with immediate (next month) penalties for nonreporting.

Longer timeframes for reissues, to allow for investigation of claimed nonreceipt.

Delete expedited service—require full verification, with eligibility decision to be made within 7 days.

One of the things we are doing, we have one of the finest online systems. We can do complete teleprocessing. We can do 18. We are issuing on an average of 3 to 10 days. That is an average case. We believe in doing the job right up front.

If the proper verification and eligible criteria from the applicant is at the front end, it reduces incidence of error and having fraud and abuse. They are much harder to find if we take them off after the fact.

Reduced program changes with less exceptions to every policy. Reduce different types of household which are certified using different eligbility criteria.

Condense/streamline regulations.

Replace medical deductions with a flat amount for persons 60 or older or disabled. That means aged, blind or disabled.

Great Federal penalties for fraud/abuse.

Turn over total administrative responsibilities to States, with only general Federal guidelines.

I have also prepared an outline relating to Nevada. We will make that a part of the record.

The **CHAIRMAN**. Do you get a lot of criticism for using such commonsense?

Mr. **MARTELLE**. I was a general manager for a large corporation prior to deciding to move back to Nevada. I had two options. One, was going to gaming or working for the State government. I didn't know at the time I took a State job that that was a bigger gamble than going into gambling.

I have to have a low caseload for workers to handle the cases, No. 1. They have to be properly trained. More accountability has to be put on the client, rather than the ECS or the eligibility worker.

The **CHAIRMAN**. I thank you. You may proceed.

Mr. **KHEDER**. Thank you.

I am Noble P. Kheder, deputy director of the Michigan Department of Social Services.

First of all, I do have a prepared statement which I believe you have a copy of, but I would like to touch on a few of the points in that statement.

The CHAIRMAN. Without objection, the entire statement will be printed in the record.[1]

Mr. KHEDER. Thank you.

First of all, I would like to give a brief overview of the situation in Michigan and then touch upon two areas, primarily policy, and then the administration of the program.

Michigan, as you may already know, has been undergoing some severe economic problems over the past 2 or 3 years. In fact, I think we have gone through more crises in the last year than I think we will ever want to have for a long time to come.

Frankly, our unemployment rate is around 16 percent. I don't like to think of the 83 counties that have double digit unemployment. This past year we have had nearly 700,000 people out of work. This has had a devastating impact not only on our budget, but on the caseload itself.

Our AFDC caseload, even after implementing all of the Federal changes promptly on October 1 of last year, remains at about 235,000 cases. Our food stamp caseload is 390,000 and our State sponsored general assistance program has skyrocketed from some 40,000 individuals to well over 115,000 cases. That is in spite of major cost containment initiatives. The most important thing that I can say about this experience is that the single largest reason for the size of the program we have today has not been policy-related—as a matter of fact, we have implemented a number of policy provisions to contain costs and reduce the caseloads dramatically. The biggest reason is the state of our own economy which is directly related, in many ways, to the Federal economy, so I think it is very important to approach dealing with this program as well as other social programs within the context of our economic situation.

We can vary our policy to a great extent and we will, in effect, effect some type of change in the caseload. But I don't think that we can install enough policy changes, at least in a State like ours, to have the caseload affected.

I think unless we can solve our fundamental problem, that is, the problem of the economy, we are going to continue to see this kind of situation.

The people we have coming on our welfare load are people who, until very recently, had jobs, and made house and car payments.

Just to give you a small example, our general assistance load 3 years ago had about 40,000 clients who had been on for quite sometime, who were more of the stereotype that many people think of who are unskilled, who may have drug or alcohol problems, who have not had any experiences in the labor market.

That is not what we have in general assistance today in Michigan. We did a survey. We developed a profile of a typical client. Most have been employed 1 year in the last 3 years. Over 40 percent of them have a 9th to 12th grade education, one-third are high school graduates. They have had some stable connection with the labor market until recently, and what is most startling, to be eligible for general assistance in Michigan, the actual resources that any one client has, has to be less than $50.

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[1] See p. 128 for the prepared statement of Mr. Kheder.

The point that I want to make is that we run programs that are the last resort for many individuals. They have exhausted any benefits they get from their employer, unemployment benefits, and personal resources.

In Michigan, personal savings is at a 5-year low. Having exhausted their alternatives, our citizens are coming in large numbers to our programs.

As far as our policy is concerned, we have affected a great deal of cost containment in our own State. It would be difficult for me to speak against it on a national level.

We support a number of changes and work actively to support the changes that have been effected in the past fiscal year.

We do believe that it is, as a matter of course, preferable to target policy changes to those who are best capable of dealing with them. I think that is what happened this year, We did not see, for example, in the AFDC program and the food stamp program, clients who had absolutely no resources affected as much as those who had some income or some type of alternative.

In Michigan we passed a law requiring the counting of stepparents' income before it was made a policy for the AFDC program. That is an example of our focus on those target groups, because there is, in fact, an alternative for the client.

We have reached the point, though, with the reductions that have been made this year, that I am not sure that it is possible to make any further reductions because we are really dealing with minimal forms of support.

There are some provisions that I would like to touch upon in the 1983 budget proposals that we believe go beyond this concept of targeting.

The changes in the benefit reduction rate will affect each and every client and that is not a policy that we would support for that reason.

It would have an adverse impact upon senior citizens as well as others who have absolutely no resources.

The other policy provision that we do have a similar kind of problem with is the use of the energy money as an offset to food stamp eligibility.

We feel very strongly, and I don't think it should be misunderstood, that no client should be given duplicate benefits, but it is difficult to see how energy benefits duplicates food stamps.

You cannot use food stamps to pay an electric bill or a heating bill.

We believe that our three programs were designed to complement each other and to meet separate needs.

If there is duplication, we would personally be supportive of eliminating that. I think that is another point that is important and sometimes is missed in our positions and our States.

Another good example is the work requirement. We feel in Michigan very strongly about work requirements. We have had an employment development function in our agency for a number of years, and we have had a strong work requirement with a sanction for our own general assistance program.

However, the problem that we see with the current proposal is the imposition of mandatory requirements that are very unrealistic. In Michigan, with the employment level we have, it would be impossible for us to administer cost effectively a program where we would have half a million individuals in some type of job search activities when there are no jobs for them to find.

We do believe that there are placements where we had educational pursuits that we are offering clients and other developmental activities to make them employable, and we should have that kind of program and insist upon it.

The final point I should make is on administration. We feel very strongly, and I think Michigan can demonstrate significant advancements not only in managing welfare, but also in developing sophisticated, automatic, and other type of support systems.

The proposal to roll up the administrative costs and reduce to 95 percent of the 1982 level is counterproductive. We will not be able to continue research and development activity. We will not be able to spend the necessary funds on automation to tighten up the program.

As a matter of fact, I think it is a real contradiction to the effort to improve the administration of the program and reduce errors.

One final point I would like to make is about the quality control system. I want to make this point again because I believe we have been misunderstood as administrators. We feel strongly about effective management. We had a quality control system before it was developed as part of a Federal program. If the Federal Government were to remove all quality control requirements, we would still continue to have a quality control program.

However, the program and the policies that we now have do not in my opinion, reflect the elements of a good quality control which is an administrative tool. It may be more than a year and one-half before I could find out whether that is a good or bad decision because of the way the quality control system is set up.

It is a measure of many artificial criteria to the point that errors in one place can mean something altogether different in another. That disparity can be within a State, again, because the way the system runs.

I think it is very important to have a quality control system, but it has to be a very well-developed sound management tool which does do what it is supposed to do. That is, to insure performance. The quality control systems in the food stamp program or AFDC do not do that at all. I can elaborate on that if you like.

With that, I will pause to answer any questions that you may have.

The CHAIRMAN. Senator Dole, will you see if you can continue the questioning while I step out for a minute?

Senator DOLE. I have a group of high school students here from Kansas, so excuse my temporary absence.

The CHAIRMAN. These aren't high school students—far from it.

[Senator Dole assumed the Chair.]

Senator DOLE. Do you have close contact with the Food and Nutrition Service?

Mr. KHEDER. Yes.

Senator DOLE. Have you spent time working with them?

Mr. **Kheder**. We have done that not only as individual States, but through our Council of State Administrators of the American Public Welfare Association.

We also comment, through the normal mechanism, on any changes that come up in the system. I think I can depict our relationship with Food Nutrition as very cooperative. I think there is a genuine interest to make some changes.

I believe everyone is caught up particularly in this program in that much of it is embedded in statute. What is frustrating is going through the effort to develop it only to hear that it is a terrific idea, but nobody can do anything about it.

Senator **Dole**. Is that the same experience you had?

Mr. **Martelle**. More or less.

We were in a combative role from 1975 to 1977 due to the fact that our legislature and we, as administrators, had also mandated the administration of accountability programs.

We ran an accountability program in spite of them.

Mr. Hicks Elnore, Regional Director for FNS, has done an excellent job. He works with us very closely. He is a fine person. I believe that we have a good working relationship with him. We have expressed all of our concerns and our recommendations to them. They don't just throw them away. We know they back many of them and have some things forwarded to Washington.

Again, as was pointed out, many of the program requirements are in the law and in the regulations and cannot be immediately changed by the regional office, at least.

Senator **Dole**. We would like to give more flexibility to the States, and we would like to hope that in most cases that it would be properly exercised.

As we have been indicating earlier today, in my view this is a good program, and it is a necessary program. However, this doesn't mean we can't continue to try to make it less cumbersome administratively, and, at the same time, try to reduce any abuses that exist in the program. We have a responsibility to the States. I understand that in Michigan you have a new computerized issuance system. Are you back here to explain the system to some of our people?

Mr. **Kheder**. That is right, Senator.

We have an automated system that we piloted for a few years in one of our larger counties, and we have been in the process of implementing that and have for a number of months since we have had it, since last September in the Detroit area.

We believe it is a very cost effective system and one that can reduce not only errors, but administrative costs.

In the Detroit area, and there are a couple of charts in the testimony that I provided the committee—you have that. I can show you directly the results. There is an exhibit, two exhibits, and they touch upon just one feature of the system. Prior to the automated system, what we had in Michigan, and what every other State has, is the mailing of an ATP card or an authorization of purchase.

A client gets that authorization once a month and takes that authorization to a distribution center and is given food stamps. These are often stolen or misplaced or destroyed in some way and clients come in for replacements.

What we have been able to do in Detroit, in the Wayne County area, in replacing that system with an automated one, is completely eliminate the need for a paper transaction.

Actually, statistically, that virtually eliminates duplicate authorizations, and we have been able to save about one-half million dollars from just that one feature alone.

Along with the administrative cost, we believe the program impact in Detroit projected statewide is about $4.5 million this year. In fact, I have——

Senator **Dole**. What did it cost to initiate that system?

Mr. **Kheder**. About $350,000.

Senator **Dole**. You use the same system?

Mr. **Martelle**. I am not totally familiar with it. We have a totally automated online system, which has printers in every office.

Mr. **Kheder**. I think they print the authorization cards in the office.

We have bid our distribution system. We don't use the Postal Service cost savings there. The Postal Service is now charging about $1.42 or $1.50 a transaction. We are able to get the transaction under a dollar. We basically mail a food stamp card which is like a credit card, a regular mag card. These cards cost us one-half cent apiece. This is all the client has, no more monthly mailings, and the card is taken to a distribution center.

It is put through a mag reader, so there is no key entry on the part of the teller, and it prints the authorization. It tells on sight what the client is authorized to receive, whether it is 1 book of 1, 3 books of 15 or whatever denomination. The client signs for it, and the food stamps are distributed.

If the client gets right back in line, the system is updated and you can't participate again. We are able to eliminate duplication and the problem with the stolen cards.

Mr. **Martelle**. Two and one-half years ago we went to a complete mail out system. We are getting it from a mailer in Sacramento. We are purchasing that service for complete mail out less postage for 51 cents a transaction.

For the elderly, for the people in the rural areas, it has been a tremendous benefit to these people because of the fact they receive their food coupons rather than having to drive 80 or 100 miles.

In areas where we had problems, we have mandated those people who come in time and time again, must go to the office and sign for them personally, or we send them by certified mail, which has worked out to be a good system.

Senator **Dole**. In both cases, this indicates innovation and initiative. It saves money. It is efficient. I wish to commend you both for the efforts you have made.

Senator **Pryor**. Mr. Chairman, if I could, I would like to inquire not about the mechanics of the program in Michigan and in Nevada, but simply to ask what the effects upon the elderly would be specifically in the State of Michigan if the administration proposal went through, which I understand is a cut of about $2.3 billion.

How would that impact the elderly in the State of Michigan?

I notice that you made reference to it.

Mr. KHEDER. We made reference to each of the proposals with their impact upon Michigan. As I mentioned earlier, the proposal to change the benefit reduction rate from 30 to 35 percent, the minimum benefit for a one- or two-person household—those are all policies that are not targeted at the upper tier of the population, but strike every client. We have 40,000 clients who benefit from the $10 minimum benefit provision. Three-fourths of these households contain an elderly or disabled member and one-half have gross income below the poverty line.

If we were to terminate them, what we would have is a significant reduction. The benefit reduction rate will impact on all 390,000 food stamp households in Michigan; 21 percent of which are senior citizens. The dilemma is that the elimination of the $10 benefit appears to be a logical proposal in the sense that it may cost more than $10 to generate that $10 benefit, but the fact is that $10 to someone who has no other source of income is very important. We have to strike a balance between cost benefit and the need to provide the service.

Senator PRYOR. How does the approach that the administration is taking this year, in the 1983 budget, differ from the end result of what was accomplished by last year's cuts?

Mr. KHEDER. Difference in the sense that the approach now is not targeting, but a reduction in every client benefit. What we have done in this fiscal year, which is last year's proposal in AFDC and food stamps, we reduced benefits or eliminated benefits for those at the time, those with earned income, those above a certain percentage of poverty and those who had some resources.

If you were a client who had zero income and no relatives or a stepparent in the home, then chances are that you were not affected last year. With this year's proposal, you will be affected regardless of where you fall within that distribution of clients because the benefit reduction rate has changed by 5 percent, and if you happened to be at that margin receiving a minimum benefit, that will be affected and so on.

Senator PRYOR. Thank you.

Senator DOLE. Senator Hayakawa.

Senator HAYAKAWA. Thank you, Mr. Chairman.

Mr. Kheder, you mentioned on page 3 that able-bodied food stamp applicants would be required to begin a job search when they applied for assistance.

And you also mentioned the implementation of workfare; is that correct?

Mr. KHEDER. Yes; I did.

Senator HAYAKAWA. Mr. Martelle, did you mention the subject?

Mr. MARTELLE. No; I did not.

Senator HAYAKAWA. How do you feel about initiating workfare and how would you implement workfare programs?

For example, let's take your case, Mr. Kheder. If it is required that able-bodied food stamp applicants turn in job search forms when they apply for assistance, what happens if they don't?

Mr. KHEDER. That is precisely the problem we have with this type of proposal. From a policy standpoint, we believe very strongly in a strong work requirement, one that has to be balanced between providing meaningful placements, having provisions which would require clients to involve themselves in a job search or developmental activities, and also there would have to be involved something where there is a type of opportunity.

It also has to be a program that is funded sufficiently so we can have that desired effect, but beyond that, the problem we have in Michigan, and in particular, I think, many other States, is an enormously high unemployment rate where it becomes impossible to administer the program.

Our suggestion and objection to this policy provision is not with the concept, but the fact that it is a mandatory activity that we don't believe will achieve the desired results.

Mr. **Martelle**. I would agree that the cost benefit has to be looked at very strongly in the workfare. If, in fact, it is a reality, obviously any able-bodied person should be gainfully employed. We have had one for the last 7 years. Those are work placement technicians within our welfare department. We work with people who have no job skills whatever to obtain them jobs.

The Labor Department would count 3 days. We would track them and not count them until it has been 1 year.

Many of the workfare programs sound good on the surface, but when you start digging into them, there is no reality or basis, and they will cost more money administratively than what we are going to achieve, especially in States of high unemployment.

Mr. **Kheder**. The Federal savings associated with job search requirements is $15 million. Michigan's share is somewhere around 6 or 7 percent which means that we should save somewhere around $1 million to realize this cost containment. In order to take the $390,000 household just in food stamps and develop what we would all agree would be a meaningful program that does have well-conceived objectives that will actually help clients to go out and find and secure employment, not just to require them to cut want ads from newspapers, will cost you more than $1 million in Michigan to run next year. I think it is a great idea to invest some money in an employment development program. We spent a great deal of our State money.

I don't believe that we will be able to see this type of objective met when we have a State with over a million people actively looking for work and not being able to find it.

Senator **Pryor**. You do have a special case in Michigan?

Mr. **Kheder**. We certainly do, but I understand that several other States are catching up very quickly.

Senator **Pryor**. You are trying to win?

Mr. **Kheder**. It is not anything you would want to try to win a race in.

Senator **Pryor**. That is all.

Senator **Dole**. Senator Helms has some questions.

The **Chairman**. We have an obligation, just as you have, to find a way to cut spending. Whether you agree or disagree with the administration's proposal, it seems at least in the administrative area, in some of these areas, that we can start in this direction. It might not point up many dollars, but maybe later it will.

You have made some suggestions we can implement. You will have another 25 or 30 different laws and regulations to implement just about the time you take care of the last 50. You said there were 50 in the last 4 years.

Mr. KHEDER. None of us would mind changes that are lasting ones, that are moving in the direction that you are speaking about, and we do believe that there are some significant strides that we can make to improve the administration's management of the programs.

A very important step that we can take is in the area of support systems, like improving automated systems, but one of the things that we have to look at is the relationship between food stamps and AFDC.

In Michigan, 50 percent of our client population has both programs. It makes little sense to spend the same State dollars twice with just enough to cause errors, but not to assure that the public dollar is spent better.

It would make a lot of sense for us and everyone else in this country to look at—we do have right now a pilot project that allows the consolidation of categorical eligibility and consolidation of AFDC and food stamp policies in two counties in Michigan. You can look at giving States greater flexibility to volunteer to do that everywhere. Steps like that make much more sense, than to try to take away benefits from senior citizens—and those who can least afford to cope with the loss of resources.

Senator DOLE. So we get into an across-the-board impact, whether it is the benefit reduction or another such proposal. If you affect everyone you have to be more careful in implementing budget-cutting. Some individuals would be in more need than others.

The CHAIRMAN. Would it help if we just gave you the program?

Mr. KHEDER. I think what would really help is for us to be given sufficient authority and resources to be able to manage the program effectively, and we don't mind being held accountable.

What is difficult is for me, as a manager, to be held accountable for something I have no authority to change and very little money to work with. Too often it appears that State administrators just don't want to manage and are trying to escape accountability. That is very difficult to not have the authority or control over things which we are supposed to be held accountable for, and cannot be.

Mr. MARTELLE. We would relish the thought of taking over ADC and the food stamp program as long as there was a compatible dollar tradeoff, and if they were continued on the same basis, we would administer a much more accountable program than we are now.

The CHAIRMAN. What would be your reaction to a block grant based on a fair percentage of previous benefits?

Mr. MARTELLE. Senator, we have for a number of years worked on several proposals, dealing with block grant concepts, and there are just a few elements that we would like to see in a block grant that we think would make it a very useful alternative to consider.

One of them would be a fair amount of resources, and the other would be some measure to account for cyclical changes. A national figure of 10 percent unemployment does Michigan no good when we are sitting at a 16 percent unemployment rate.

The CHAIRMAN. All right.

Mr. KHEDER. The other is the accountability for interaction among these. It does us little good if there is great flexibility in food stamps and no flexibility in ADC. I have to hire the same number of workers. If I am constrained there, you won't see the results in the other one. There are two or three and a few other provisions we would like to see.

The CHAIRMAN. Let me have a memorandum on that and I will try to put it in the right hands; you also.

Mr. KHEDER. Thank you.

The CHAIRMAN. Do you think that bilingual requirements ought to be made optional for your State?

Mr. KHEDER. If I may answer that?

The CHAIRMAN. You don't have an awful lot of problems with that?

Mr. KHEDER. We have been involved in a number of lawsuits in bilingual areas, and also I work in an urban setting where we have a number of diverse groups. The thing that we would like to see is that requirements be reasonable in the sense that they achieve the intended purpose and not become functions of themselves just to meet requirements. I think the policy should be that a client who has a language barrier should not find it anymore difficult to gain access to a program than one who doesn't. That is the desired result.

The problem we have is that we are getting regulations which say that every application has to be translated into this language if *X* percent of the population is prevalent. I am an immigrant. I came as a young child from the Middle East. My native tongue is Arabic. We translated ours into Arabic, because we have a large population. We have many people with serious literacy problems with the Arabic language.

That doesn't accomplish our purpose. We end up by getting tied up with all of the provisions rather than achieving a basic objective which is to help the client have access to the program.

If the policy would be worded in that fashion and allow us the capacity to achieve the objective, then we would be better off to go from one extreme to the other, either have one or none.

The CHAIRMAN. If you get a policy that would tell you how to do it, it would be easier than having some bureaucrat's specifications.

Mr. KHEDER. Whether that policy is there or not, we will do everything we can to make our program accessible. If the requirement were to be eliminated tomorrow or made optional, we would look at every situation and try to meet that need, whether it is to hire employees or translate an application or print a brochure.

The CHAIRMAN. Does Washington have to approve your location and hours of operation and that sort of thing?

Mr. KHEDER. I am not sure I know the answer to it, but my experience in the food stamp program is when in doubt, the answer is yes.

Mr. MARTELLE. That was the requirement in the past.

I believe it is still in effect.

I fought that one because they were going to make me open offices in such places as a very small place in Nevada that didn't need a full-time office. It would be a terrible administrative waste. We fought it and that waiver is to that particular requirement.

That should be a State option as well.

The CHAIRMAN. Obviously.

Mr. Kheder, you stated your opposition to the elimination of the $10 minimum benefit?

Mr. KHEDER. Yes.

The CHAIRMAN. Is it true that over half of the households receiving a $10 minimum are technically eligible for no benefits at all?

Mr. KHEDER. Senator, I am not sure of that statistic. I think it is valid to say that anytime you design a system that is based on some criteria such as income or some other circumstances, regardless of where you set that margin, we will have a few people that should be on the program and are excluded, and a few people who should not be on the program, and are included. That is why you see some of the horror stories that you see in the media periodically. I don't think there is a way around it other than to write a policy "Use your best judgment. Give it to those who appear to need it, and not to those who don't."

So to answer your question, I wouldn't be shocked if there were people who could technically not need the benefit. To remove the benefit, you commit the opposite error because you will have the small group again who should get it. The senior citizen who is living on a small income should get it. There are a lot of inquiries which say: what is $10 a month? It is nothing if you make $60,000 a year, but it is a lot if you are getting $250 a month. That is the problem that we have.

Senator DOLE. Could I follow on?

The CHAIRMAN. Yes.

Senator DOLE. I understand if you are eligible for part of the month, you might get less than $10. How about retaining a minimum benefit?

Mr. KHEDER. You are suggesting to prorate to the closest point of eligibility. That is something we would support and something that we would do.

In the AFDC program, we are one of the very few States that pay benefits twice a month and to the closest payroll to which the client is eligible, so we don't pay a full month's benefit. There are those types of administrative steps that we as administrators can take to achieve types of savings.

There are some preferred alternatives as the one you cited that may be a better substitute to just eliminating benefits of $10 or less.

It appears logical because it probably costs us more than $10.

Senator DOLE. You get economies of scale.

Mr. KHEDER. Yes.

Mr. MARTELLE. That would be a good recommendation, one that we would certainly approve.

The CHAIRMAN. Thank you very much.

I am going to take the liberty of sending you some further questions.

Senator DOLE. If we got expedited service, it would be helpful.

Mr. MARTELLE. Thank you.

Mr. KHEDER. Thank you.

The CHAIRMAN. The Chair recognizes Senator Hayakawa.

Senator HAYAKAWA. Thank you Mr. Chairman.

This is the second hearing we are having on food stamps this year. The first, held last month, was of the Subcommittee on Nutrition. During those hearings, I believe, we examined the food stamp program in relation to the administration's 1983 budget proposal.

At that first hearing, as some here now may recall, I brought to the attention of the subcommittee, an event which occurred a few years ago in my State. Specifically, what happened was that in Glenn and Tehema Counties, 80 olive growers lost what has been estimated to be one-half of their olive crop. This loss occurred because the border patrol deported their work crews of illegal aliens and they were unable to find enough domestic workers to take the places of the illegals. As a result, much of the crop was left to either overripen or die on their trees.

Since that hearing, my office has received inquiries from a number of parties who were interested in finding out more about this incident. And understandably so. We assume that unemployed Americans will take a job wherever they can. However, we had here an instance where counties which had 5.4 percent and 8.9 percent unemployment could not supply 1,000 workers to do well paid labor requiring no skills whatsoever.

In response to the interest in this incident, I have asked Mr. Don Rosendahl, a farmer from Fresno County, to come to Washington to discuss the difficulties he has had in obtaining domestic labor to work his farm. Mr. Rosendahl has been farming for a quarter-century, and currently owns and leases 1,400 acres of farmland in the heart of California's Central Valley. In fact, this witness is one of the most important farmers in the great agricultural State of California. He is currently the president of the Fresno County Farm Bureau, thus representing the largest agricultural county in the Nation. He also holds the important position of chairman of the California Farm Bureau Labor Committee. We are then, very fortunate to have Mr. Rosendahl here today. And in his official capacities, he will be able to relate to this committee, the experiences of other farmers in both his county and his State.

Some of my colleagues might question Mr. Rosendahl's presence here. He is no expert on food stamps, and will not be able to address the fine points of reauthorization. However, in examining the fine points, we must remember to keep sight of the larger picture.

Thus, as we act on the various fine points of reauthorization this year, we must try to assure that our decisions are consistent with the basic philosophy behind the program. I recall that the intent of the program, in part, was originally to help farmers. That is why it falls under our committee's jurisdiction. The other intent of this program, now given much more weight, I understand, was to help assure proper nutrition to those incapable of helping themselves—the truly needy—the elderly, the disabled, the working poor, the single parents with dependent children, and those who honestly can't find employment.

In conjunction with the basic philosophy behind this program, I believe that there are two important questions that we must answer each time we reauthorize this program. First, we should decide whether this program should provide support for people who can work, but choose not to. And second, we should determine if this program provides its recipients with disincentives to work.

While Mr. Rosendahl may not choose to address these questions specifically, I believe that his view from the field will shed some light on these issues. And I look forward to hearing his testimony.

The CHAIRMAN. Thank you, Senator Hayakawa.

Senator Hayakawa is a most valuable member of this committee. I believe he has to leave at 4 o'clock. I know you would like to hear the testimony of your fellow-Californian, so why don't you ask him to proceed first.

Senator HAYAKAWA. Thank you.

I would be very grateful.

The CHAIRMAN. At this time we will hear from the workfare panel whose members constitute Chet Dixon, director, Department of Human Resources, city of Springfield, Mo.; Gordon Berlin, Ford Foundation, New York, N.Y.; Jean Field, welfare officer, Nashua, N.H.; and Don Rosendahl, president, Fresno County Farm Bureau, Fresno, Calif.

PANEL CONSISTING OF CHET DIXON, DIRECTOR, DEPARTMENT OF HUMAN RESOURCES, CITY OF SPRINGFIELD, MO.; GORDON BERLIN, FORD FOUNDATION, NEW YORK, N.Y.; JEAN FIELD, WELFARE OFFICER, NASHUA, N.H.; AND DON ROSENDAHL, PRESIDENT, FRESNO COUNTY FARM BUREAU, FRESNO, CALIF.

Mr. ROSENDAHL. I have some prepared testimony that I would like to read and expand on.

If you will ask some questions, I will be more than happy to answer them.

It constantly amazes those of us in Fresno County, the Nation's leading agricultural county with over 200 crops produced annually, that we so seldom can get your attention here in Washington when it comes to high priority issues, so I am especially pleased to be here and to present our comments, thoughts and concerns on issues of such importance and impact on agriculture.

Fresno County, because of its 30-plus years as the Nation's leading farming county, its irrigated and labor-intensive agriculture, has a great many people working in agriculture and agriculturally related jobs. At certain times of the year, say from November to April, many of these people are not working because, aside from pruning activities and the citrus and winter vegetable harvests, there's very little going on. These people add to the welfare roles, and help keep our valley in the higher levels of total unemployed.

A reasonable estimate of those receiving food stamps, as a part of the overall assistance programs in Fresno County as of today would be around 59,000 persons, but now a lot of these are heads of families so there are many, many more people receiving benefits than the 59,000 of that figure. This is out of a county population of 450,000 to 500,000 people.

The government office that handles food stamps also told us that up until a few weeks ago, there were definite seasonal fluctuations, with fewer people receiving food stamps in the summer months when seasonal work, primarily farm labor is available.

I'm certain that our area is no different than other parts of the country, there is cheating and fraud in the food stamps. I hear and see numerous incidents of people buying what they're not supposed to be buying with food stamps, and I hear of incidents where people are selling food stamps for cash, 80 cents on $1, and sometimes less. It is something of a national dilemma. It seems to me it would make more sense, and save thousands, perhaps millions of dollars, in annual food stamp printing costs to just give these people cash money if we have to give them something.

Now they tell us, with changes in the program and with the general economic situation, the figures are about steady. Last July there were 56,600 receiving food stamps, and in January the figure was 59,100. If the downturn, however slight, is attributed to people taking on part-time, seasonal farm work, it represents an insignificant percentage of the needs of our labor-intensive farming where the raisin-grape harvest alone requires the services of over 23,000 people. This is in Fresno County only. It takes approximately 50,000 for the raisin-grape harvest, and when we are in peak harvest at Fresno County, we have around approximately 100,000 people working, doing farm work.

A couple of other figures are important to this total picture. Unemployment this past year, which hopefully reflects that some people do take part-time jobs in agriculture, and the total number of persons in the county receiving some form of welfare is 117,000 people. Our unemployment total in January stood at 13.8 percent of the population. Looking back to last summer the figures ran this way: July was 9 percent; August, 8.3 percent; September, 7.7 percent; October, 11.5 percent; November, 12.4 percent; and December, 13.5 percent.

It would be an ideal situation, especially in these times, to be able to rely on our local labor force for all our needs, but the simple fact of the matter is, that the majority of those people receiving aid, will not do farm work. That, obviously, puts a lot of pressure on agriculture, everyone of us, to find help wherever and whenever we can.

It has also meant that a large number and percentage of the farm work force must come from elsewhere. The vast majority comes out of Mexico, and we have no way of being sure whether or not all these people have come here legally or by other means. Last year, as an example, our Farm Bureau vegetable crops chairman, Larry Martinez, being a conscientious citizen, called the local employment development office requesting 50 additional workers for a canning pepper harvest. The next day, EDD sent and even brought, a total of 27 workers. That also brought out the Border Patrol, and 13 of the 27 were found to be illegal aliens. So, even a branch of the Government has trouble determining who is and who isn't legal. The end result was that some of the crop was lost, money was lost by the grower, by the workers, and by the overall economy.

Let me also cite my own brief "encounter of a weird kind" with the Border Patrol and my boysenberry crop, which like the canning pepper crop, must be harvested without delay when it's time.

I had 50 acres of boysenberries in production last summer which requires a harvest crew of 300 people, working 7 days a week, for about 3 weeks, to harvest. Last June, we were hit with an unusual hot spell, 19 straight days of 100 to 110 degree temperatures. This caused the berries to ripen all at once and meant that we had to harvest as fast as possible. I tried everything I could to recruit workers. I used radio and newspaper ads, signs along the highway, and the employment development department, EDD. The best day I had there were about 70 people in the field at one time.

Now, I pay my workers $1.20 a box and working by the box, or piecework, a person can pick four to six boxes an hour. The boxes weigh about 9 to 10 pounds, so it's not hard, heavy work, in my comparison, it's pretty clean work, too.

A worker can set his own pace at piecework, so it is all up to the individual how much he wants to work. My workers were all out of the fields by noon during the time the hot spell hits.

We had many incidents of the Border Patrol making their presence known—driving by very slowly—and our labor force again began to disappear. What that meant was that a number of those who showed up to work were not here legally and were afraid to work, fearing they'd be picked up by the Border Patrol and deported.

The end result was the loss of over 50 percent of my boysenberry crop, or more. As a result, I couldn't justify staying with that crop, so I pulled out over half the vines—every other row—and I will pull the rest within 2 years. In their place, I planted prune trees, between them. That way, I won't lose all my boysenberries. Prunes are mechanically handled, completely.

What I am trying to say is that I fear this is happening all over California, that our specialty crops are going to disappear because we do not have enough labor and we are going to deprive the economy of California of a great deal. We are going to deprive the people of this Nation of many of the foods and products that they are used to having. They may not need it in their diet, but it is something that they are used to and that they want.

I think it is going to be a disaster when this comes to pass.

As to my own situation, the loss of the berries when you figure what the loss was between the worker, the farmer, the processor, the user, the retail person—there is approximately $250,000 that was lost. It didn't just happen to me. It happened to many, many other people, other boysenberry growers that pulled theirs, also, and other pepper growers and cucumber growers, and many, many specialty crops that we have.

I don't have to tell any of you how tough times are for agriculture and the rest of the economy in this country. In order to keep agriculture strong and to keep our Nation strong, I feel some changes are long overdue in the way we take care of those who cannot or will not work, and in the way we provide a work force for our most vital industry, agriculture. We need programs that will teach people to work and encourage them to work.

I would like to give you a story about a little situation that we have in Fresno County right now. We have a lot of Laotian people coming in and they are the Humung tribe from Laos. We have 3,000 of them in Fresno County already. I understand 2,000 more are arriving within the next year. These people are good workers They know how to work. Our system is so lax in California, that it has let these people go for assistance and welfare and food stamps. They have been coming to the Farm Bureau and asking the Farm Bureau to help them. They want to get into agriculture. They want to farm on their own because they are from farming communities in their own country.

We have been doing what we can to help them. We are encouraging them to get farm jobs and learn the trade before they start on their own so that they won't get hurt and hurt everyone else in the way.

We are not able to recruit these people to work. I am sure a lot of them are women and children that can't work, but there are a number of men who can and a number of children who can work in the harvest with the piecework rates. They have their own people on the welfare system, or in the welfare office in Fresno that speak their language and can cope with the eligibility of the workers.

These people are afraid to work because they're afraid they will lose some of their eligibility for stamps. And, ladies and gentlemen, in Fresno, Calif., where we have over 25 percent of our population that is on some sort of a handout, we have to depend upon illegal aliens to do our harvesting. There is something wrong. There is something big wrong in Fresno County, Calif., and in this Nation if we allow something like this to happen. It has to change.

As President Reagan said recently, "When you feed a stray pup, he'll follow you home, waiting for another handout."

I'm afraid that is what is happening in California. "Instead of that policy, how about encouraging a hand up?"

Our situation is as serious as any other in the Nation's farm sector and it needs attention today.

I want to thank you for affording me the opportunity to testify today and I will be happy to try to answer any questions you might have.

The CHAIRMAN. Thank you, sir.

Your story is not unlike what I hear constantly from the farmers in my State, and yet, there is a dispute about whether they are accurate.

You know that what you have related here is accurate. You have seen it. You have experienced it.

Senator Hayakawa, we will let you ask the first part of the questions.

Senator HAYAKAWA. I sympathize deeply with your problem. The immigration authority takes away your illegal workers and, on the other hand, the disincentive to work in our society takes away your legal workers, so you lose your boysenberries.

The effects of this problem could be far reaching. There is not only the loss of the boysenberry crop, but as you mentioned, the peppers and cucumbers, and the many other things you grow in Fresno. The impact on the local economy must amount to tens of millions of dollars, does it not?

Mr. ROSENDAHL. That is true.

We grow 200 crops in Fresno alone. Many of these are a very specialty crop in nature. We will lose these crops. They will disappear. The economy will be hurt dramatically. The consumers will be deprived of the products they enjoyed. Everybody is going to plant more crops that can be mechanically harvested.

We cannot leave the land idle. It is too costly. We have to grow something. Everybody will plant crops that are mechanized and this will create more problems for agriculture.

Senator HAYAKAWA. I understand that when Laotians and other immigrants become citizens, they simply quit working on farms and go on welfare. Is that often the case?

Mr. ROSENDAHL. Right now it is the case, they are on welfare. They seem to be afraid to go to work on a farm. These people would like to work if they could work out there, but they are afraid because they will lose some benefits by going to work on a ranch.

They all like that kind of work because this is what they want to be and it is what they did in their own country.

Senator HAYAKAWA. They are mountain people, agricultural people?

Mr. ROSENDAHL. Yes. Everything was done by hand. They will have to learn our ways. This is just an example of what is happening to the system being as lax as it is.

Senator HAYAKAWA. So this is not only a problem for us in agriculture, but it is a problem for those of us who have to be concerned with the immigration law and with how we deal with the illegal aliens?

Mr. ROSENDAHL. That is right. I think it is all tied together, completely. The immigration, food stamps, and welfare—the whole thing.

Senator HAYAKAWA. It is an extremely complex problem, Mr. Chairman, and I'm very, grateful on behalf of myself as well as for Mr. Rosendahl that we have had this opportunity to present this case before you.

The CHAIRMAN. The Chair would state that Mr. Rosendahl has stated his case eloquently. Out across America there are more people than you realize who thoroughly agree with you. I live in Arlington, Va., while I am here, in the Senate and it seems to me that a growing percentage of the people who work in laundries, drycleaning plants, filling stations, parks, and so forth are Vietnamese. They are willing to work and a lot of our citizens are not really willing to work, according to the reports that I get constantly from people who speak in absolutely good faith in my home State. They say you cannot find people to work. They are losing their crops just as you have lost yours. We have a serious situation that can't get any better until we can look at it objectively.

If you put theory aside and look at the reality of it, down the line we have even worse problems growing than we have now.

I thank you, Mr. Rosendahl, for coming.

Senator Dole, do you have any questions?

Senator DOLE. No.

I appreciate the testimony. It indicates that we have a problem. I am not certain how we address it. I guess if the workfare were mandatory, maybe that would help.

I assume you would need something. Maybe that is not a job that requires any skill. You need some kind of strong back to be in the business.

Mr. ROSENDAHL. A lot of agricultural work needs skill; a lot of the harvesting needs no skill. It is not all that difficult. It is not all that hard. I grew up as a farm laborer myself, so I can speak to it.

Senator DOLE. So you would not need a job training program? In other words, they could walk out on the farm and go to work?

Mr. **Rosendahl**. Yes, but we need something to encourage these people, something to make them understand that there is dignity here. Everything that has been printed today in the newspapers and on the radio and television tells these people there is no dignity, or shows them, and they have gone away from it.

Senator **Dole**. Have you had any media people interview you about how difficult it is to get people to work?

Mr. **Rosendahl**. Yes, this happens quite often.

Senator **Dole**. We never see that on the national news.

Mr. **Rosendahl**. That is right.

We only see it in the area where the problem arises.

Senator **Dole**. We get a lot of indication that we are attacking the poor because of changes made in some programs. There may be a legitimate story. However, there is no balance in the presentation by the media, at least the national media. Nine out of ten times it is totally slanted. If, in fact, we are going to help the people we need to help, we have to be objective about it.

I support the food stamp program, but it gets more and more difficult because they don't properly report what we are seeking to do. The taxpayers too have an interest in the program, and with 20 percent of the people in your county——

Mr. **Rosendahl**. Over 25 percent are receiving some sort of assistance.

Senator **Dole** [continuing]. I always thought that was a fairly affluent county.

Mr. **Rosendahl**. We thought so, too, but it is being more liberalized all the time and there are more and more people added to the rolls.

Senator **Dole**. You point up the dimensions of the problem. I am going to hear other witnesses testify to pretty much the same thing. I have the same problem, almost, in my State, in Kansas. We have a different kind of agriculture, but we have some of the same increase in participants because of general unemployment in some areas; however, there is still a pretty good reservoir of potential workers if, in fact, there were some incentives to make them work.

Mr. **Rosendahl**. You were talking about the press and what they do to this. Just this morning in the Washington Post there is an article. It refers to the Simpson H-2 program.

Senator **Dole**. That is the immigration bill?

Mr. **Rosendahl**. Yes.

There was one paragraph that really hit me and it said, and in my opinion this is a part of the reason why people don't want agricultural jobs, "The law is designed to penalize only those low wage employers who chose undocumented workers over American workers and illegal immigrants, many of whom are Hispanic themselves."

When you have things like this printed, that is why we have some of the problems that we have. This is the farthest thing from the truth.

Senator **Dole**. I am not familiar with the law as to whether it is designed like that. We find that the Washington Post is not always in tune with what others may believe 50 miles from Washington. It is a very conservative paper, but sometimes it slips over to the other side. [Laughter.]

The CHAIRMAN. Five miles from Washington.

I have one final question.

The staff handed this question to me. I'm asking it for the record.

What would be the impact if the food stamp recipients were required to participate either in the workfare or to be employed in a regular job like the farm work which you have to offer?

Mr. ROSENDAHL. I think it would make a great deal of difference. I am quite sure it would. There is a percentage that says 13 percent of the people that are receiving that are able-bodied, but in Fresno County, I am sure it is much greater. I don't have the figures because they don't have that.

In Fresno County I know it is greater, and I am sure it would make a big impact.

The CHAIRMAN. Thank you very much.

Mr. ROSENDAHL. Thank you.

The CHAIRMAN. Ladies first.

We will go down the line and welcome you.

Ms. FIELD. I think Fresno County needs a workfare program.

I am Jean Field, director of welfare for Nashua, N.H.

I want to talk a little bit about my experience in the workfare program and the impact of recent legislation.[1] For the last 15 months, I have operated a workfare program in New Hampshire, in Nashua. For many years, we have had a work program for general assistance in Nashua. Obviously, I think that a work program is a good thing. If we are going to give extended benefits to work-eligible, then a work program is better than no work program. We have found that work programs achieve certain goals and benefits. Some people appreciate working for their benefits, and are grateful for that opportunity, and even though it is not a majority, it is very important.

Second, human service agencies in the public sector derive valuable benefits from the people who work for them. They all have limited budgets. A work program allows us to send people for jobs in private employment. A work program will separate wants from needs and it will provide some training and work experience. We have found that the percentage of people who actually worked was so low that we had trouble filling our training slots. Of the people referred to us, 88 percent found private employment. A work program, to be successful, has to take certain criteria into account. The administration has to be committed to the belief that people are better off on their own than they are on welfare, otherwise we fall into the trap that Federal programs encourage people to become dependent.

People who are asked to work for their benefits should be treated just as anyone who is working for money. Recent legislation corrected all the problems we had in the original demonstration projects, but it added two new preferential treatments.

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[1] See p. 153 for the prepared statement of Ms. Field.

The local government paying each person $25 a month for work-related costs will be offset by the Federal Government 50 percent, but will discourage participation.

The second thing is the "cure" in legislation that once a person has been sanctioned, they have additional months to perform what they have not performed before. We have spent a great deal of time to insure that people fulfill their obligations. Sanctions are absolutely the last resort. If they are given 2 more months, it will be a real nightmare. Workfare people are not being treated like other people. If you have 2 months to perform in a job and you don't perform, you don't get another 2 months to do so. Some suggestions for the future would be to drop all work programs and just—you already said it—have a specific maximum time that people can receive food stamps while they are seeking employment, knowing right up front that for that length of time they can receive food stamps.

If we do have work programs, the workfare project director should have an opportunity to exempt one-half of 1 percent of all referrals for cause in their own judgment because we have been asked to place people in job sites whom no employer would hire, because they are found work-eligible at the food stamp office.

Because they are found work-eligible they are referred to us, and we should have the right not to place them in job sites.

In addition, it is possible that a return of a small percent of savings from food stamps that are not issued because of sanctions imposed, could be credited to the food stamp administration or local workfare project directors, to offset the cost of local government and encourage participation.

Thank you very much.

Mr. Berlin. I was listening to what Mr. Rosendahl said and it struck me just what a difficult job you people have. I remember reading in the paper about a year ago when 200 janitorial jobs were advertised by the Social Security Administration in Baltimore, and in 3 days over 20,000 people lined up to apply for them. When you compare Mr. Rosendahl's experience with the SSA experience you have an example of the kinds of conflicting evidence and information, which makes it awfully difficult to make effective national policy.

My testimony, which I will try to summarize for the committee have to do with a general look at workfare that I took, not when I was working for the Ford Foundation, but actually when I was involved in a previous job designing various work requirement research and demonstration projects involving the Federal work incentive program, and that included an experiment that we ran in one State and a look at general assistance and other workfare programs.[1]

As the committee members are aware, workfare is not a new concept. It has been around for a long time, and it has been an integral part of our general assistance program. It has been tried in at least three States for AFDC populations in California, Utah and Massachusetts, and more recently, in a food stamp demonstration currently operating.

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[1] See p. 155 for the prepared statement of Mr. Berlin.

There is a great deal to be learned from a look at this workfare experience, and I would encourage the committee to take a careful look at it. This is what I tried to do and I encourage you to check up on me and conduct your own review of some of those programs.

I think the first step in considering a role for workfare and the food stamp program is to decide on what we think the objectives of that program ought to be. Broadly stated, I believe we are ultimately after a reduction in food stamp case loads and food stamp costs. I think the workfare programs attempt to do that in three ways.

First, it is expected to have somewhat of a deterrent effect to discourage those who really don't need help and are already working and not being honest about working, from applying. Second it provides recent work experience for people who may need that experience before they can get a private sector job. And third, it is supposed to provide some useful community services.

I think the real question that we have to deal with is what's the proper balance between the assistance that many of these recipients seem to require and I guess, for lack of a better term, the coercion that is necessary to see that only those who truly need the programs participate in them.

I think that raises the question of whether our objectives are short term in nature or long term, whether we really want to take a look at why a large number of people seem to be dependent, what their educational levels are, and things like that, and what is needed to get self-sufficient employment.

I think to some extent we are not devoting the resources that we need if we are seriously addressing the longer term issue in employability development which tends to involve costs for training and other sorts of things.

When we review these past and present workfare efforts I think we need to distinguish between efforts that were designed primarily for general assistance populations, efforts that were designed and operated for AFDC populations and efforts for the food stamp program, because those populations are all a little bit different. They have different characteristics.

Those characteristics have something to do with how successful these programs are likely to be. I think the critical point to keep in mind is that each of these programs has a natural turnover that occurs whether there is a workfare program associated with them or not.

Much like poverty, some people stay for relatively short periods of time because of bad luck, job loss, marriage breakups, while others move off the rolls, mixing low-wage work with welfare receipt. Still others are on for a relatively longer average period of duration.

The important point for a workfare program in the food stamp case is that food stamps have the highest turnover of any of the income-transfer populations. That rate seems to be that within 3 months, over 50 percent of the people are going to move off of the rolls even without an effective work requirement program. If that is true, it raises important program questions for the role of a workfare program.

First, we want to design programs that facilitate that natural movement and be careful about not designing programs which may inadvertantly extend the average duration period.

Second, we ought to think about how best to target a workfare program so we are really dealing with those people who are not going to naturally move off the rolls on their own, people who may need our assistance or some pressure to get off.

Last, I think it raises some very important questions about how to consider program data that we hear about from people who run these kinds of programs versus comparison and control group data. The important question for a workfare program is, how much turnover occurred because of the program, not because of the natural movement. For example, if there is better than a 50-percent-turnover rate in the food stamp program, that suggests that workfare would have to yield placement rates substantially above 50 percent to be cost effective.

One problem that I think you have to address is the possibility that the means can replace the end. It is such a difficult and time-consuming job running a workfare program, that program administrators may tend to get caught up in just running workfare and not thinking about the longer term objective of getting people off the rolls with private sector jobs.

That was one of the problems with the public service employment programs. There was no transition period.

Another major distinction that we need to make is between locally initiated programs and statewide programs. We have had, I think, some mixed experience when we take a look at general assistance and AFDC programs in that regard. My finding is that locally administered and locally initiated programs seem to work better. In our experiences with statewide or larger efforts, we have found them to be less successful.

In 1979 in the State of Massachusetts, we tried to set up a workfare program utilizing the WIN program and essentially that experience was an implementation disaster. It was plagued by court injunctions, welfare agency and union opposition. Whole regions of the State failed to adequately implement the program. There were insufficient slots, interminable agency noncompliance by many who either passively resisted running the program or simply didn't have the resources and time because of competing program assignments, to do a good job in the workfare effort.

That raises some serious questions about the issue of whether we should mandate it everywhere or whether we should encourage it in local areas.

In Utah they seemed to have had a much more successful experience than they did in Massachusetts and California in running a workfare program. It is somewhat of a unique State and when you look carefully at the program and talk to some of the people who run those programs, and I would encourage you to do that, they really talk about the Utah WEAT program as an employability development effort. It is one small component in a range of services that they try to offer clients to help them get a private sector job. Ultimately, the food stamp demonstration projects which are currently underway also should be considered carefully, and I understand there will be some reports coming to the Congress on that.

Again, I would point out that the sites participating in that demonstration, all volunteered. I think this raises the question of whether the results are generalizable if we mandate workfare nationally.

My finding from looking at some of this work is that workfare is best implemented when it is locally instituted and locally supported. According to program data there are some examples of limited, positive, short-term effects, although there is little comparison data to verify that.

I don't see any information that we have any long-term impacts on welfare case loads or costs.

Another major distinction that I think ought to be made when we take a look at workfare programs is the striking diversity in program concept. I have seen programs that are essentially the makework kinds of things that people tend to complain about where all someone did was really wait for an assignment, they never really had a job—and I have seen or heard about the other programs—where the workfare assignment was that they went to school and participated for 12 hours a week in adult basic education—to overcome some kind of deficiency they had.

I think if workfare is to be successful it is important that we respect the program administrator's decisions on the program's content because those decisions are framed by the economic or political and demographic realities that those folks have to operate within, and I believe we can do this best by providing them with the resources, flexibility, and options that they need.

Lastly, I would encourage the committee to think a little bit about placing the whole issue of workfare within the overall requirement of the work requirement program which Congress tried to implement in the food stamp program in 1971, 1977 and again in 1981.

One of the major problems with these work requirement efforts is that they have essentially been paper registration efforts. That is, a food stamp worker, enters someone on the rolls and then sends the piece of paper over to the employment service office and then wonders why someone doesn't get a job from it.

I guess my point here is that we have never adequatety implemented less expensive work requirement efforts and I think that is an important factor.

Part of the problem seems to be a lack of adequate resource transfers from Agriculture to Labor. In 1982, $65 million was appropriated for work registration for 2 million food stamp recipients. That equals $32 per person. In previous years, it has been less.

I believe in thinking about strengthening these work requirement programs that we ought to take a look at some of the other efforts that have been tried such as job finding clubs, other job search programs, limited 13-week work experience and supported work programs, all of which have been tried by the Labor Department in the AFDC work program.

In summary, I think we should respect the judgment of local program operators and provide them with the workfare option as the committee did in December. We should do that with the understanding that examples of well-implemented programs are usually locally initiated small-scale programs and with knowledge that likely impacts or case loads, costs, and individual future earnings—are likely to be fairly modest.

Lastly, I think we all need to keep in mind that finding people jobs who are on these income transfer programs is a difficult, time-consuming, intensive roll-up-your-sleeves kind of a job—to do it well, we have to set realistic objectives and to provide the resources and flexibility which will give work requirement programs a chance to strike that critical balance between assistance and coercion. I believe that means providing a range of services, including workfare, front end job search, education, and other supportive services in a range of employability development efforts.

The CHAIRMAN. Thank you.

I think that it may be if the States and the local bodies have some of that taken out of their hides, they would find a way to make the work requirement and workfare work. What we are dealing with now is shoving the money down there and letting them do what they darn well please with it. Of course, they are not going to try to work up a sweat trying to employ anybody or solve any problem.

Thank you very much.

Your statement will be made a part of the record.

Last but not least, Mr. Dixon.

I appreciate your patience.

You may proceed.

Mr. DIXON. Thank you.

It is truly a pleasure to be here. I have given you two reports. I won't read those. I would like to brief you on the main points if you don't mind.

The CHAIRMAN. They will be made a part of the record in full.[1] This record will be printed.

Mr. DIXON. After listening to the past speakers, you will find me more optimistic than most people who will be talking about workfare. My optimism shouldn't lead you astray, however. We still have a lot of study to do. To make workfare a mandatory program would be a mistake. There are still lots of questions to be answered. We have found the workfare experience in Springfield to be very good and many good things have resulted from it.

I think in Missouri, Governor Bond is supporting it very much. From March 1 to the end of this year, the State, the city of Springfield, Greene County and the U.S. Department of Agriculture are going to look into our project and test many concerns that we didn't collect data on in the beginning. We fully understand there are many pros and cons to this program and as much data as possible is needed regarding its success or failure.

Our program has shown good results, but there are many, many things that we must look at. For example, do we compare Springfield, Mo., to New York City or Detroit, or some of the others?

One of the most important things is that you can look at different places around the country and you can see people on food stamps from ghettoes; you can also see them in remote rural areas. You can also see other types of areas with high transient populations. On the other hand, the city of Springfield is an area that is growing. It is sort of a rural-metropolitan mixture and there is a great deal of work ethic running around in that area of the Ozarks, and maybe that had something to do with the success of our programs.

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[1] See p. 159 for the prepared statement of Mr. Dixon.

But we were one of the 14 demonstration projects trying to determine whether we could get agencies working together, to get literally hundreds of worksites fully operating and functioning to serve the needs of the kind of clientele that we had in our food stamp program.

We think we have done that very well.

In the process, our workfare program has received a great number of labels, and I am sure everybody has heard about them. We have been accused of imposing slavery. It has also been called a communistic program, and many other things.

It also has, as you can see, received great praise and some good things have come out of it. As you know, in the State of Missouri right now the house has passed an optional bill and the senate is working on one now. We anticipate it will pass, therefore, it looks like we might have an optional program going on in Missouri before long.

Let me give you four or five basic pieces of information about our program. One is that we tried to work out effective processes and relationships. We believe a workfare program will not work well anywhere unless agency and worksite relationships are worked out. Otherwise, we will have hundreds out of control. It is important that an effective loose relationship exist between the various actors, for example, there may be hundreds of worksites, many chief elected officials, staff with a variety of attitudes, and agencies for us and against us. This makes processes and relationships extremely important.

You find yourself working in a great deal of conflict and the hostility we encounter from some clients is not very pleasant, so operating a workfare program is not a simple thing. It is a very complex process.

No. 1, well, maybe I should say that we feel that in all that conflict and hostility, we have attempted to make our program an intervention program rather than a punishment program. I think you can very well run a workfare program and say that it is a punishment. Those people are getting benefits and, therefore, we are going to make them work for it.

You can also take a program and say, this is an intervention program. While they are making people work, they can make it a benefit to them over the long term.

No. 2, the costs. I have heard lots of cost factors mentioned. Maybe we are unique; possibly we are. Over 13 months of operation we have spent $164,000, roughly. About $86,000 of that was Federal dollars. The other was a soft match, soft match meaning we counted a variety of things as supervision time. But, if you take all the hours that were worked, 64,000 hours that we had gotten from the clients over the past 13 months, and compute it at the minimum wage, you have about $215,000, if my math is right. That seems to tell us something, and we feel that many of the products are worth much more than $3.35 an hour.

Many of them don't give that kind of value.

The primary outcome, 68 percent of the people who were assigned to come to our office and work for their food stamps, really worked. That is a rather high figure. The other 32 percent is not entirely a negative. Many have good reasons for not working. Many of them got jobs or quit the food stamp program. Many were ill.

So that other 32 percent is not necessarily all negative. Another major outcome was that 64,000 hours in community services to community agencies, in a time of high budget cutbacks. This benefit went back into the community.

The third outcome that we don't quite understand yet, we are looking at it and hopefully we can find out, is that over the last year there was an 18-percent reduction in food stamp households. In Greene County over 900 households were affected. "Affected" means they were either reduced or chopped off completely. We are not sure what it means. We are looking into it and hopefully we can find out why the reduction.

I don't think we should say the reduction was completely due to the workfare program. It could be because the administration of the program was working a little better. It could be because Springfield is a growing economy and, therefore, there were a lot of opportunities that other places would not have.

The fourth and last major point that I would like to make, is, that I think you can look at the workfare program and talk about the benefits. You can evaluate it in terms of participant benefits. Will the program that I operate really help that individual do something for himself or herself over the long term?

The CHAIRMAN. Teaching him how to fish?

Mr. DIXON. That is right, teaching him how to fish, developing a work history that he can rely on. That is one way of looking at it.

Another way of looking at it is, of course, the 64,000 hours that went back into good community services. That can happen if the program is developed properly.

Another way of looking at it is taxpayer benefit. We can actually get something tangible for the taxes that we spent.

The fourth way is that you can look at the children of the family. You can look at the benefits that the household gets out of this that otherwise they might not have gotten.

An example, we had one workfare participant to come in and say, "I didn't tell my child that I worked at workfare, but he knows that I work. That is important."

But, anyway, those are four ways of looking at it.

I think there are three things, and this will be my last comment, there are three things that I think policymaking should really consider. I think that it should consider the complexity of this program as I have already talked about it. If we are going to develop a workfare program, whether it is optional or mandatory, let's make sure that we fund it adequately and design it properly so that long-term benefits can be gotten and not short-term punishment.

The second one is the transportability of these workfare demo projects—boy, they come from all directions—so I think you have to be very careful about transporting Springfield's program and saying that it will work everywhere. I think I have already related why I think this is a serious matter.

Third, the concept of workfare has to be clarified a little bit and the evaluation criteria that we are going to evaluate this program by needs to be very well defined. The most important thing in our demo project was trying to get people to work, to get the processes together that would make them—not make them, excuse me—but that would lead them to want to work. Now I am being evaluated and we are evaluating ourselves, on things we didn't collect data on. However, we are beginning as of March 1 to correct that problem.

In closing, the workfare concept could be a very good one. I don't think we are ready yet to make it mandatory. I guess one reason is because so many local and county governments don't have the money if they have to come up with match money or any kind of money.

But I do appreciate your attention.

Thank you very much.

The CHAIRMAN. Mr. Dixon, you are a very helpful man as are all four of you. You said that your program was unique. It may have been unique because you set out a plan with a determination to give it your best shot to see if it would work.

I am not sure that the committee or the Department of Agriculture has really gotten a handle on an incentive to make these programs work, and the concept is not easily sold because it is regarded as another burden, a lot of paperwork, let's get this out of the way the easiest way we can.

Obviously, you approached it from a vastly different point of view. You wanted to say it would work and you have some exciting results. You answered the question about whether able-bodied recipients and workfare continue to receive benefits and perform the work, or do they drop out of the program?

Do you have any specific statistics on that?

Mr. DIXON. No, we don't, and that is unfortunate that we don't have it. One thing that is important in relating to that is that our program is not tied to the CETA program, but it is operated by the Department of the Government that also operates the CETA program. We have constantly referred people to CETA and other programs and, in fact, when we have slots open, we have made them available to workfare recipients, especially in job seekers' clinics, and clubs.

We did a lot of job development on them, but we are severely lacking in statistics.

We are starting as of March 1 to gather all the data we did in the past plus that kind of data.

The CHAIRMAN. That is good.

We would like to have it at any point that it is available.

I have to ask this question: Suppose we made the program such that the States would have to bear a share of the benefit costs?

Do you think we might be more inclined to make workfare work?

Mr. DIXON. If the Federal Government shared the costs with the States?

The CHAIRMAN. That is correct.

Mr. DIXON. I think they would in the State of Missouri.

Governor Bond highly supports the workfare idea and bills are going through very rapidly. That is the problem I hear, though, that local governments are not really able to finance it—like in the House bill, in Missouri, they give options to local jurisdictions to petition the State to operate these programs. But local governments in most States are so lacking in funds right now. If you mention a social program to them, you almost get thrown out the window. In fact, this program is the first social program of its type in the history of Springfield. They have come out with $19,400 in support of the workfare program beginning March 1. It is unusual for the city of Springfield to support any kind of program like this with general revenue funds.

We have had very good success. That is probaby one of the reasons why.

The CHAIRMAN. The staff wanted me to ask you whether the $25 travel expense reimbursement included in last year's optional workfare program caused you any difficulty?

Mr. DIXON. No.

The CHAIRMAN. Let me ask this of the lady from New Hampshire.

So often when we talk about workfare, a vision appears of raking leaves, or something like that. Just for the record, would both of you tell me some of the jobs that were found in your workfare program other than raking leaves?

Mr. DIXON. In every worksite we have, and we have 250, we require the participant to put in his or her application. In many cases like county court offices, many of our participants have been hired as clerks and in various other clerical positions. Of course, a lot of the janitorial, custodial, groundkeeping jobs, beautification jobs have gone to workfare recipients.

There is an important thing to consider. In the short duration of time that workfare recipients work, sometimes from 8 hours to 40 hours a month, you have to have worksites that don't require a great deal of training. That is why you see a lot of the low level kinds of jobs, but we have also had higher skilled jobs as carpenters' helpers or electrical helpers.

The CHAIRMAN. Have they gotten permanent jobs out of the workfare?

Ms. FIELD. Just a few where they were seen at city hall doing construction work. No, I think most of them found their jobs during their initial job search that we sent them out on. There are a lot of raking leaves type jobs and it is because the people that end up working for the benefits tend to be the people who are hardest to employ, and don't have skills and can't fill the training jobs.

Those are the essential things that have to be done that other people get paid to do. We have a lab aid job and program aid job.

The CHAIRMAN. How about you, Mr. Dixon?

Did any of the agencies hire the people permanently?

Mr. DIXON. Yes, like the county court I just mentioned. Many of those were hired on a permanent basis.

The CHAIRMAN. I would like some figures.

Mr. DIXON. I will produce them for you.

The CHAIRMAN. And also from you, Ms. Field.

Ms. **Field**. Yes.

The **Chairman**. I'm sorry, Senator Dole.

Do you have any questions?

Senator **Dole**. I have no questions, thank you.

The **Chairman**. All four citizens provided us with excellent testimony in the judgment of the Chair.

Thank you very much.

Now we truly come to the folks who are the most patient because they are the last on the list. Our three remaining witnesses are Barbara Howell, Bread for the World; Cushing Dolbeare, president, National Low Income Housing Coalition; and Ralph Watkins representing the Interreligious Task Force. Barbara Howell.

STATEMENT OF BARBARA HOWELL, BREAD FOR THE WORLD

Ms. **Howell**. Mr. Chairman, I am Barbara Howell, an issues analyst with Bread for the World, a Christian citizens' movement whose 40,000 members follow Government policies as they affect hungry people both in this country and overseas.

Thank you very much for the invitation to come and share our concerns about the cuts, proposed cuts in the food stamp program.

As concerned citizens, we look with dismay upon the lengthening unemployment lines and the ever increasing inability of private charities and local governments to fill the holes in the social safety net exacerbated by last year's budget cuts.

In particular, we oppose current proposals to make further cuts in food stamps in the face of ever greater need related to the deepening recession. The annual lowering of eligibility and benefit levels the last 3 years has already caused much hardship on recipients and program administrators alike. We think it is highly inappropriate to consider additional cuts this year.

The bulk of the President's fiscal year 1983 proposed budget cuts in the food stamp program are aimed at the elderly and the working poor. The Congressional Budget Office estimates that 93 percent of all elderly and disabled families would be terminated or have their benefits reduced. This would affect nearly 2 million elderly and disabled households. More than one out of every four elderly or disabled families would either no longer be eligible or have their benefits reduced to such low levels that they would drop out of the program.

The working poor would be hit even harder. Forty-one percent of all food stamp benefits now allotted to low-income working families would be wiped out. Ninety-four percent of all working poor households would have their benefits reduced or ended. Nearly one in four working poor households would be cut from the program. The average working poor family would lose $684 a year in food stamps.

It is ironic that the greatest cuts proposed by President Reagan should be falling on those who are either desperately trying to escape poverty by working at low-paying jobs or who are elderly or so disabled that they are unable to help themselves. The safety net should protect those who are too old or disabled to work. Sound conservative social policy encourages people to work rather than penalizes them for working.

We firmly believe that this committee should reject any proposals that have the effect of reducing the incentive to work for those who are able to do so.

In this regard, we urge the committee to consider carefully the plight of migrant farmworkers, who constitute the poorest of the working poor. Migrant workers are essential to putting food on our tables. They incur enormous expenses in moving from State to State in search of temporary employment picking crops. Their job search endeavors far exceed those required under any assistance programs. Yet, under the administration proposals, many of them would be better off not working at all. We do not think that this result would benefit anyone.

As a woman I am particularly sensitive to the sharp increase in the last decade of the percentage of the poor who are women. The rise in numbers of U.S. citizens in poverty from 11.7 percent in 1979 to 13 percent in 1980 was largely attributable to the increase in female-headed households. For a mother of two children earning the minimum wage, the new food stamp cuts would reduce her family's food stamp benefits from $66 to $9 a month.

Women also constitute a majority of the elderly poor who would suffer increased hunger by proposed food stamp cuts, especially raising the benefit reduction rate to 35 percent and reducing food stamp benefits if a family receives energy assistance. The last proposal would be especially harsh on elderly families in the North, who could lose their food stamps in winter months when energy payments raise their income above food stamp eligibility limits.

We have heard that a possible delay in updating the cost of living adjustment for the thrifty food plan may also be considered as a cost-saving measure. We urge you to keep food stamp benefits as current with increasing food prices. Inflation adjustment delays already approved make it impossible now for the food stamp program to carry out its goal of enabling a family to obtain a nutritionally adequate diet. The inflation adjustment must not be delayed even further.

Role of the Federal Government in the churches.

Part of the administration's justification for cuts in food programs is the belief that tasks such as ending hunger in the United States and overseas could better be dealt with by private initiatives. But private giving cannot do the job alone. In Syracuse, N.Y., a Bread for the World member reports that feeding centers for homeless persons serves twice as many people today as last November.

President Reagan stated that if each church in the country supported 10 needy families, there would be no need for welfare. The Syracuse Interreligious Food Consortium determined that each of its 17 member churches would need to contribute $6,000 a month to support those families, a figure which in many cases represents the total operating budget of the church. To date, the largest contribution a member church has been able to make to the emergency effort to feed people is $250.

Similar stories are coming to us from towns and cities throughout the country. We urge you not to cut food stamps further and also to assure that destitute families are able to get food stamps as quickly as possible.

Not only are the churches not able to handle a large increase in food assistance, but we also reject the notion that churches and other private charities should bear the sole burden of caring for the poor. Our Government has declared its commitment to the right to food. The responsibility for guaranteeing that basic right remains with the Government.

In addition to the shift of responsibility from Government to the private sector, the administration is proposing to move responsibility for antipoverty efforts from the Federal Government to the States.

Some lessons from the history of the food stamp program serve as warnings against totally relinquishing Federal responsibility for assuring minimum benefits to poor people. The food stamp program was begun, in part, to make up for the States' failure to provide minimum benefits for their poor residents. Congress had to set national standards in 1971 and require all States to provide food stamps before all poor people were given access to the program.

Nutrition status monitoring.

Mr. Chairman, last week I was in Raleigh, N.C., your home, at a meeting of State university people, public health administrators, industry representatives and representatives from the Governor's office, and the office of a Member of Congress. Nutritionists from Virginia, South Carolina, and Tennessee were also there. The University of North Carolina has been instrumental in raising the concern that there is no effort to monitor hunger in their State and region around. Without this capability, they cannot plan responses to hunger. They are making plans to institute such a nutrition status monitoring effort in the State if funding can be found. We would encourage this very much.

Bread for the World has for several years urged that a nationwide system of nutrition status monitoring be established. Hunger is likely to increase as a result of budget cuts in economic hard times. We must not let that happen, and we must have accurate information on whether it is happening. Pilot programs in nutrition monitoring established by last year's food stamp bill should move forward as quickly as possible so that efficient methods of efficient monitoring can be tested.

In closing we would like to pay tribute to Dr. Raymond Wheeler, a native of North Carolina, who testified before this committee many times in the past, and who recently died. He was one of a group of doctors who visited impoverished areas in the United States in 1967 and a decade later and documented "decreases in illness, in infant and maternal deaths, in premature births and in the incidence of iron deficiency anemia and retarded growth among children of the poor" because of food program benefits.

He was a strong supporter of the food stamp program because he could see how it directly helped to eliminate the scourge of hunger. I would like to submit as part of my testimony an editorial from the Charlotte Observer on Dr. Wheeler and to close with a quote from his testimony to this committee last year:

> The Federal Food Stamp Program has provided this country an unparalleled opportunity, unique in the world, to assure that all needy Americans have enough to eat. The Congress, the President, and the Secretary of Agriculture should give it their full moral and political support—without apology and defensiveness. This pro-

gram does more to lengthen and strengthen the lives of disadvantaged Americans than any other social program. It represents the most valuable health dollar spent by the Federal government, and it is virtually the only government program offering aid to the working poor * * *

We need to find the wisdom and the will to eliminate poverty from this nation. This is an achievable goal. When it is reached, its benefits will accrue to us all—not just the poor—and there will no longer exist the need for any food assistance program.

The CHAIRMAN. You did not address yourself to any number of proposals such as the block grant.

Do you have any feelings about that?

Ms. HOWELL. I only addressed it in saying that as far as the responsibility for nutrition programs, I feel they really should remain with the Federal Government, although we would wait to see what the specifics of the block grant or President Reagan's swap idea would be.

The CHAIRMAN. You understand that we are all against sin and for motherhood, and that sort of thing, but the problem that I have tried to address, and some critics have not understood it or have not wanted to understand it, is the abuse of the program.

I notice that you didn't have any comment about that, which is fine, and I don't say it in a way to indicate any displeasure because you are talking about the same things that we all agree about.

I wrote down your statement that private giving cannot do the job alone. If you will accept one modification of that statement, I will agree with you: Private giving will not do the job alone.

I happen to be a member of the board of deacons in my church and every Thanksgiving they rise in a great state of self-righteousness and get up a few Thanksgiving baskets and that is the end of it.

I am talking about a church that I love, but they are more interested in building a sanctuary for a home run ball from the pulpit to the backroom.

My idea of a church is not brick and mortar, I think it is compassion and, in the most respectful sort of way, the churches have a far greater capacity than they are willing to assume in helping out their neighbors.

Ms. HOWELL. I would agree with you about that.

The CHAIRMAN. Somewhere along the line, we have to understand that there are limits that the Government can and should do. One of the things it should not do is to finance waste, fraud, and mismanagement, with which this program is fraught.

I don't know whether you heard the man from California, but I hear that constantly. He has gone, but I would be willing to wager that he would have no aversion whatsoever to a welfare program of any type that was kept within the confines of reasonableness.

That is what the committee is facing and that is what the President is facing. I think it is a little bit unfair to say that he is aiming—that is what you said—aiming at the poor and the elderly.

Now, he is not doing that. I have to take respectful exception to that kind of characterization by you or your organization, or anyone else. This man is not lacking in compassion.

Ms. HOWELL. I didn't mean to say he was lacking in compassion.

The CHAIRMAN. You said he was aiming.

Ms. HOWELL. We were looking at it, the proposed cuts.

I don't see that that is aimed at eliminating fraud. All of us want to get rid of as much fraud as possible, error rates, also.

But the proposed cuts are not going to help you get rid of fraud.

The CHAIRMAN. Will you send me a copy of any paper from your organization which addressed waste and fraud?

Ms. HOWELL. I will be glad to.

We have sent a letter to the House Agriculture Committee encouraging them to do whatever is possible to eliminate fraud in the program because it is a waste of money.

The CHAIRMAN. And again, respectfully, you are very knowledgeable about the good features of the food stamp program. You have stated very eloquently, and I listened to what you had to say, but there was not one suggestion about how we can make a program that will not invite the hostility that we hear all the time at this committee, everytime the subject comes up.

I am saying everything I said in the spirit of friendliness, and some of the press releases that your organization got out in terms of those that are on the firing line and trying to achieve a fair and equitable program that will not invite the hostility, were not very fair. I think you ought to take a look at what you are doing politically to people of good faith who are just as sincere as you are.

Ms. HOWELL. We are concerned. We feel that the program has had many, many changes. Some of them will help to reduce the fraud, but we feel that basically this program does not do as much as it should to help people who really need food in this country.

The CHAIRMAN. Perhaps because it is so rife with mismanagement?

Ms. HOWELL. There is a problem in any big Federal program. One of the problems, and the fact that we hear so much that is negative about the food stamp program is that it is the only really obvious one to people around the country.

They go to the grocery store and they see people using food stamps.

The CHAIRMAN. It may be more visible than some of the others, but it is not the only one. In any case, I appreciate your coming.

I hope you understand that I speak with sincerity.

Ms. HOWELL. I do, and I hope that you understand that I speak with sincerity, as well.

The CHAIRMAN. I know that you do.

Thank you for coming.

You are?

Ms. DOLBEARE. Cushing Dolbeare.

The CHAIRMAN. And you are?

Mr. WATKINS. Ralph Watkins appearing for George A. Chauncey.

The CHAIRMAN. Why don't we go ladies first.

STATEMENT OF CUSHING DOLBEARE, PRESIDENT, NATIONAL LOW INCOME HOUSING COALITION

Ms. DOLBEARE. Senator, I appreciate the opportunity to appear today.

I have a prepared statement which I would request be placed in the record.[1] It is fairly lengthy.

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[1] See p. 163 for the prepared statement of Ms. Dolbeare.

I will summarize it, if I may.

It is a little tardy in getting here, and I am sorry.

I wish to address today one particular aspect of the legislation which is before us, the National Low Income Housing Coalition as its name implies is a coalition of National, State and local organizations as well as individual members.

Our chairperson is former Senator Edward Brooke. We have been in business since about 1974 in one form or another, and our concern is the housing of low-income people, particularly in subsidized housing programs.

I'm appearing today because as part of a series of rather sweeping cuts of low income housing programs, the administration is proposing that food stamps be counted as income for the purposes of computing tenant rents, and before I address that particular recommendation I would like, if I may, to set the context in terms of the low-income housing needs and how the programs that we have are meeting those needs.

The housing conditions in this country have improved very markedly. I have been in housing for about 30 years—and there has been an enormous improvement in housing conditions in this country in those 30 years.

We are, by far, the best housed country in the world, and the improvement of the quality of the housing occupied by low-income people has been very great.

Back in 1940, which was a couple of years before I got into housing, we had the first housing census and 45 percent of all occupied housing units were either dilapidated or lacked plumbing facilities. That figure has fallen now about 7 or 8 percent. For 5 million households it is still too high.

On the other hand, during the last decade, in spite of the highest level of subsidized housing that we have ever had, the housing problem of low-income people has gotten worse in two critical ways.

First, the cost of housing has risen very markedly; and secondly, the problem of displacement has been increasing in many urban areas, particularly.

One figure on cost, I think, will set the picture. In 1970, there were almost 6 million renter households with household income below $300 a month. Their median rents were less than $85 a month. Eighty five dollars a month is 34 percent of the income of $300. By most normal standards, the rule of thumb is that you can afford 35 percent of your income for shelter, but they were having difficulty.

By 1980, because of increased income, the number of renter households with incomes of over $3,000 a year had dropped by 50 percent.

Their median rents, however, had risen to $179 a month. Of a $3,000 income $179 is 74 percent, so that is really the squeeze that the low-income renter households have been under during the last 10 years.

The word I have used in my prepared statement is "traumatic."

In fact, there are twice as many households with incomes below $3,000 as there are units in the housing starts that we report them to.

I spent a good deal of my professional life testifying and in other ways advocating that we expand our low income housing assistance programs. The President's Commission on Housing recently issued its interim report. I have been assisting Senator Brooke and serving as an alternate member. They found there were 10 million renter households in this country with incomes below 50 percent of the median which was the standard they set as requiring some kind of housing assistance.

Only 1 in 4 is actually receiving housing assistance.

On the other hand, if you turn that upside down, we have 1 household in 4 now receiving assisted housing in that very low-income category, and they are among the very lowest income people that we have. About three-fifths of them are white, by the way.

There is a table at the end of my testimony, which is the only place I have ever seen it, and which is why I have it in here, where we put together the number of units that are receiving housing assistance, number of households, by all the Federal programs whether operated through HUD or the Farmers Home Administration.

About three-fifths of all households receiving subsidized housing are white; one-third are elderly; two-fifths of them work at least part of the time; one-half of them had household income below $5,000, and one-eighth had household income below $2,500.

Now, I want to turn to the main subject of my testimony today, the impact on households in assisted housing if food stamps are counted as part of their income.

Until last year from 1969 on, rents in assisted housing were limited to 25 percent of adjusted household income. Last year, the administration proposed that that share of income which tenants pay for rent be increased to 30 percent. That was enacted by the Congress and was to be phased in over 5 years, so this year the rents will be increased to 26 percent and next year 27 percent, and so on—until it hits the 30-percent level.

There was a lot of discussion in the Senate Banking Committee and elsewhere. The coalition opposed it. We lost. That was a 20-percent increase in rents for low-income tenants after it is fully phased in.

In looking at this proposal, the impact will be to raise rents of tenants by a minimum of 20 percent for tenants that are affected on up to some which are doubled, some trebled, some quadrupled, depending upon how much other income there is.

There is a table that takes for a constant housing, a nonworking welfare mother with two children, State by State, and looks at the impact of counting food stamps as income. The lowest increase percentage in any State was 22 percent. The highest increase was 397 percent in Mississippi. The increase in North Carolina was around 119 percent. It was somewhat over 100 percent.

That is one problem.

The other problem is that it hits the lowest income people, not only with the highest relative increase, but also with the highest proportionate increase.

Another table toward the end of my testimony, where I took the figures which HUD provided last year to the Senate Banking Committee in considering the rent increase, the number of households in assisted housing with incomes below 10 percent of median and 10 to 20 percent and 20 percent to 30 percent of median, about half a million households in all, and the largest absolute increases were for the households below 10 percent of median. In fact, an elderly household in that bottom category had a monthly income of approximately $103.50. Their old rent would have been $24.07 according to HUD figures, and the new rent, counting food stamps, would be $34 and 19 percent. That is a 33-percent increase. That household would have $67 a month remaining after paying their rent.

You move to a larger household and the impact is even greater. In a two-person household, the median gross income was $1,196 a year, just under $100 a month; the old rent was $19 a month; the new rent, counting food stamps, was $45 a month.

The amount remaining for that household was $55 per month; per capita, $27 a month.

This isn't in the table. I did it while I was waiting. The per capita amount would remain for a larger family, three-person household would be $17 per capita left over.

Four-person household; $13.

Five-person household; $9.

Six-person household; $7.

So the larger the household size, the less cash you have left over.

The larger the household size, the lower the income, the greater the increase, and it strikes me quite frankly, Mr. Chairman, as though this is a proposal which was presented without the people who drew it up having taken the time to look at the impact of this proposal on tenants in low-income housing.

Now, somewhere in here I have a paragraph about the impact—yes; there are about 1 million households in subsidized housing who received food stamps in 1979, which is about half of all tenants. They are among the poorest of the low income housing tenants, so in 1979, 55 percent of the households receiving food stamps living in assisted housing had incomes below $3,000 and another 30 percent had incomes below $3,000 and $5,000.

Eighty-three percent of the households who lived in public housing had income below $3,000 and were also receiving food stamps, and 37 percent of the households between $3,000 and $5,000, and then the number drops off very rapidly as the incomes rise.

Quite frankly, Mr. Chairman, this looks as though somebody had said, and intellectually I could agree, why not treat food stamps like money, because people go to the stores and spend them like money. They buy food with them. If they didn't have food stamps, they would buy food with their money, but they did not really look at the impact of this proposal on the people with whom they are most concerned, and therefore we strongly recommend, Mr. Chairman, that this committee not make the change in the food stamp legislation which would be required in order to permit the administration to implement this recommendation.

The CHAIRMAN. Thank you, ma'am.

Let me ask you what would be your position, as has been proposed by many, that the food stamp program be abolished and cash payments be submitted?

Would you be here then saying exempt those payments?

Ms. **Dolbeare**. Well, one of the things that the coalition has devoted a considerable amount of time and energy to, and I guess all of us interested in low-income housing have tried to do this, is to try to figure a way of fairly determining how much household assistance low-income families need.

If a change were made, our position would be, let us look at the position of the family and let us see how much that family could afford. We would say that a family with an income of $3,000, if it were a three-person family, should be paying less rent than a family with an income of $3,000 if it were a single person.

We are interested in determining a standard of affordability that will provide people with the assistance that they need and this proposal simply doesn't do it.

The **Chairman**. Well, we will cross that bridge when we get to it, won't we?

Ms. **Dolbeare**. Yes.

The **Chairman**. All right.

Mr. Watkins, you are the last one, and you are still smiling. You may proceed.

STATEMENT OF RALPH WATKINS, INTERRELIGIOUS TASKFORCE ON U.S. FOOD POLICY

Mr. **Watkins**. Thank you, Mr. Chairman.

I am Ralph Watkins, legislative associate for the Washington office of the Church of the Brethren and member of the board of directors of the Interreligious Taskforce on U.S. Food Policy.

I am substituting for George Chauncey who is the chairman of the Interreligious Taskforce on U.S. Food Policy who is unable to testify because he is ill.

We thank you very much for the opportunity to present testimony on food stamp reauthorizations.

We presented a full copy of our testimony and I will try to summarize it.[1]

We would like to comment on the effects of last year's budget cuts and express our views about the respective responsibilities of the churches and the Federal Government, and to state our positions on various proposals for changing the food stamp program.

First, the changes in budget cuts in the food stamp program enacted in fiscal year 1982 have resulted in an overwhelming increase in requests for food and service at churches and church service agencies.

For example, the Seattle, Wash., Ecumenical Hunger Task Force of the Washington Association of Churches reports a 30-percent increase since October 1 in requests for emergency food boxes. A box contains food for 3 days.

The Salvation Army reports a 68-percent increase in need for emergency food in Yakima. In Detroit, area emergency food providers are experiencing a tripled demand for food compared to last year. In Baltimore, the number of people turning to the charity center of St. Ignatius Roman Catholic Church has also tripled since last October.

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[1] See p. 180 for the prepared statement of Mr. Chauncey.

These reports reflect the fact that over 80 percent of the savings for fiscal year 1982 came from reducing benefits for those with gross incomes below the poverty line.

Regarding the role of Government in the religious community, the religious community in this country recognizes that it has a religious and moral responsibility to help care for poor and needy people. Churches and other religious groups are now directly engaged in an expanded way in meeting the need for food assistance through local food banks and meal programs, but religious agencies simply cannot assume the massive additional burden that would result from additional cuts in the food stamp programs for low-income people.

First, the churches and other voluntary associations simply don't have the resources to make up for the massive cuts in Federal spending.

Second, even if churches and other voluntary agencies did have considerably more resources, there is no reason to believe that they would voluntarily part with them to keep up with the Federal cuts. Much as we hate to admit it, sin persists in the lives of the saints and hard times erode social sympathies.

It is unjust to make large groups of people, except in emergencies, depend for the necessities of life on the unstable and passing impulses of generosity of private persons rather than upon the common responsibility of the community to which they belong.

We believe it imperative that the Federal Government continue to establish national standards for the food stamp program. A person who is in need of food is just as hungry in North Carolina as one in New York.

Regarding the fiscal year 1983 food stamp proposals, in general we believe the proposed changes in the food stamp program would unfairly hurt the elderly and the working poor. Overall, 85 percent of all food stamp participants would have benefits reduced or terminated. It cannot be too strongly emphasized that these proposed cuts are not reducing fraud; they are taking food from the poor.

The task force specifically supports a 4-year reauthorization of the food stamp program.

We support the entitlement status of the program, and thus oppose the cap on authorized expenditures which has the effect of negating the entitlement provision.

We recommend an annual cost of living adjustment using an index which takes into account inflation in food prices. Further, we urge the committee not to delay the scheduled cost of living adjustment for food stamps due this October 1982. As a result of last year's actions, food stamp benefits are now based on September 1980, food prices.

We oppose abolishing the earned income deductions. This additional change would result in even more severe losses, and thus would be self-defeating, both in terms of encouraging self-reliance and reducing Federal costs.

We oppose increasing the benefit reduction rate from 30 percent to 35 percent.

We oppose eliminating the $10 minimum benefit. For an elderly person, a loss of $10 could mean several days without food.

We oppose counting energy assistance payments as income in determining household eligibility and benefit levels. Without this combined assistance some poor families would be forced to choose between eating and heating.

We oppose the similar proposal being considered regarding housing assistance. Since the poorest families receive the most stamps, they would be hit with the biggest rent increases.

We recommend in light of the proposals just listed, that the committee put language in the food stamp reauthorization bill prohibiting counting food stamp benefits as income in other needs-based programs.

We appreciate the difficulty of the choices you must make. Something clearly must be done to reduce the Federal deficit.

However, expenditure reductions need not and should not lay additional burdens on those least able to bear them. Justice as well as simple human decency requires that hard-headed economic realism not be translated into hard-hearted social policy.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank you, sir.

I will say as a preface to my remarks to you, Mr. Watkins, what I said to Ms. Howell, my comments are intended to be friendly for purposes of discussion.

You said, I wrote this down, "There has been a sharp increase in requests made of churches for food assistance."

Then you said, as Ms. Howell said, that the churches cannot do that.

I differ. Let me give you an analogy.

Some years ago, before I lost my mind and ran for the Senate, a representative of the United States Cerebral Palsy Association came to see me. I was then an executive vice president of a broadcasting company, and we had a television station and a number of radio stations and that sort of thing.

He said, "We have got to do something for these children," and I agreed, and he mentioned, he said, "You have contacts in Washington."

I said, "Why don't we try to leave Washington out of it?"

We came up with a telethon, one station, and I remember we raised $300,000 plus in one 18-hour period. That telethon is now national, at least on that network.

They have raised millions of dollars which indicated to me that the compassion of the American people ought not to be discounted if properly motivated.

I agree that the budget of the Hayes Barton Baptist Church in Raleigh, of which I am a member, will not as it now stands, accommodate an extensive, expansive program. But suppose the people in that church were motivated?

We have no difficulty whatsoever, as I said earlier, about Thanksgiving. Everybody feels good about getting up a Thanksgiving basket and bringing it in. I don't know what the statistics are. Maybe the President was wrong in his estimate of 10 per church, or I have heard even lower than that.

Somewhere along the line we have to examine our responsibilities as one human being to another. I know it is simpler, I know it is easier, to go to the Federal Government, which is now running dry, has been dry. The Government has an indebtedness of over $1 trillion and actually it is more than that, many times, but I am not easily persuaded that the people of this country do not have the capacity as citizens, as private citizens, when you have 62,000 people lining up for tickets and paying anywhere from $25 to $30 or even more to see a basketball game in New Orleans tonight.

Now, yesterday I took two of my grandchildren for a drive around this city. They are visiting me, ages 4 and 2. We went down to the basin and we looked at all the boats lined up there.

There is something wrong in the priorities of a people when there is no solution, no solution visible other than turning to a Government which is bankrupt, you see. That is the point I have often made.

I don't know how you get a handle on the motivation, but I wish you would not say again that the churches cannot do it unless you have a caveat stating that under its present budgetary system—I don't know whether I am making myself clear or not, but I love my church. I try to be as active in it as I can, but I say again that too many of the churches in this country are operating in terms of foreign perception. They are not interested very much beyond, as I said awhile ago, a sanctuary with a deep pile carpet, comfortable pews, and a homerun ball from the pulpit to the back row, so I indict the churches of this country. I say they are failing everytime they come as individuals or send a representative as well-intentioned as you are, to say that only the Federal Government can do this because if the hostility that is building continues, there is going to be no food stamp program at all one of these days.

We may have no viable functioning of the Government anyhow.

I am not lecturing you and I hope you would accord me the same sincerity that I accord you.

I know you come here believing everything that you say, and I believe what I am saying. There has to be a place in the middle of that table somewhere that we can acknowledge maybe we haven't done our job properly in the Congress; but, on the other hand, the churches aren't doing their jobs, either. That is the only exception I take.

We ought not to let down the poor, the elderly, and the crippled, or let the blind suffer. But somewhere in between the position that some take and the position that we take, there has to be a meeting of the minds.

Mr. WATKINS. I appreciate that, Mr. Chairman.

In response, I would have to say that we can concede readily that the churches are not doing what they ought to be doing as fully as they could.

Sin persists in the life of the saints. We will concede that readily.

The concern I would raise about depending upon individual congregations to take up the slack of the Federal Government is that we have no guarantees that congregations are going to respond at the rate or in the right places to be able to meet the need.

With so much of Detroit so unemployed, that means there is less money coming in on collection plates. It is a regional disparity. That is one of the problems.

The CHAIRMAN. I understand the difficulties.

These are difficulties that I believe can be overcome with the proper motivation. I don't believe that the majority of the people in Raleigh, N.C., would hesitate to try to be helpful to the people in Detroit, the elderly, the sick, the blind, the crippled, but as long as they see with their own eyes things that are going on in the food stamp program, they get their back up and it gives them a good excuse not to do anything. What we can find one of these days, I hope, is an excuse to do something and to work together instead of taking the easy way out, and turning to the Federal Government because, as I said earlier, the well has run dry.

I have had four different delegations come to me today from North Carolina. It so happens that all four of them were friends of mine, close personal friends. In each case, believe me, they began by saying, "Jesse, the President is exactly right. We have got to get this spending down. We have got to move toward a balanced budget, but—" and they made good cases each for their own cause.

That is what I, as a Senator, am up against. I can't argue with the problem that they have. I am simply frustrated by the knowledge that Bob Dole, with all the splendid work he does on the Finance Committee as the chairman, has got to cut the cloth to fit the pattern. Everybody makes a good case. The student loans, for example, the homebuilders, the savings and loans—everybody has a good case—but somewhere along the line we have got to get our wits about us and get together and work together.

Let me thank both of you for coming. I apologize for keeping you here all day, but you wound this up on a pleasant note with me and I appreciate it.

I wish you well.

Thank you very much.

The committee will stand adjourned.

[Whereupon, at 5:25 p.m., the committee adjourned, subject to call of the Chair.]

APPENDIX

Statement of Hon. Bob Dole, a U.S. Senator from Kansas

Mr. Dole. Mr. Chairman and members of the committee, I would like to welcome all the witnesses who will testify today on the reauthorization of the food stamp program for fiscal year 1983. For the first time since the program was initiated, it has not been extended for the duration of the farm bill, which has traditionally been its reauthorization companion. However, last year was a year of breaking with precedents in many areas—it was a year that has already made history for what was accomplished during a single legislative session.

It is true that the food stamp program has one of the worst negative image problems of any that we deal with here in this committee, and yet it is important to sort out the anecdotal myths from the actual facts. Over the years, I have been a supporter of this program because of the nutrition benefits that it provides to low-income Americans. This program was instituted at the Federal level in order to address the once prevalent incidences of domestic hunger and malnutrition that were brought to the attention of the American people more than two decades ago. Since that time, the food stamp program has become perhaps the most important and basic social program since social security.

However, as the program evolved, so did the problems which accompanied its administration. Since the 1977 amendments, many reforms have been passed into law which served to strengthen the program. However, we are still waiting for the department to implement legislation which was passed 22 months ago. In May of 1980, we enacted 14 substantial anti-fraud and error measures, eight of which seem never to have emerged from the bureaucracy. Last year, along with Senators Leahy and Cochran, I introduced the Food Stamp Accountability Act of 1981, which included a broad range of program reforms that have since been enacted into law with the Omnibus Reconciliation Act of 1981. However, many of the provisions of this legislation have yet to be implemented by the executive branch. I would advise that these regulations be released as soon as possible, because complaints about the program continue, despite our best efforts to address them by constuctive legislative measures.

More than any other program, the food stamp program has been structured to respond with great sensitivity to the general economic climate. For every one percent that unemployment rises, the cost of the program goes up about $500 million. Because this program is such an accurate economic barometer, inevitably in recent years, it becomes an annual ritual to raise the cap in order to accommodate the necessary supplemental appropriations.

Last year, we cut over $2 billion from the cost of the food stamp program, and we did this by very carefully trimming back the program and slowing its growth in order to minimize the impact of the budget ax on the lowest levels of the poverty scale. Because we utilized most of these kind of options last year, we no longer have them available to achieve further savings, and we must be very careful what we do from this point. The administration has proposed further savings of $2.3 billion for this program, and it is extremely unlikely that we will be able to meet this kind of target, unless we enact some proposals that have a rather harsh impact on those we would seek to protect—the elderly, disabled and working poor. I am particularly concerned that we do not build work disincentives into the program which will encourage people to give up their jobs and fall back on welfare—these people are to be commended for trying to be productive citizens, and, if they need food stamps to help make ends meet and feed their families, we ought to encourage them to keep working while providing them with the necessary means of support in these difficut economic times.

We on this committee are very interested in tightening up this program to make certain that only those who should be receiving benefits are doing so. In this time of limited fiscal resources we owe it to low-income Americans to target benefits to those most in need, and to ensure the dignity of this important nutrition program, so that people do not have to be embarrassed to participate, despite their poverty circumstances. Sometimes, it is difficult for us here to actually comprehend what it must be like to live in poverty—after all, we are a nation of plenty. However, as social policy makers we have a responsibility to take care of those who are less fortunate than we are, and sometimes their circumstances are difficult for us to identify with, because we have had no first-hand experience. These are not the people who attend political fundraisers—they are not visible to us in the halls of Congress and yet we must not forget them. We should make every effort to strengthen this program so that benefits will reach those who depend upon them for their daily survival. I look forward to hearing from those who will testify here today.

STATEMENT OF HON. PATRICK J. LEAHY, A U.S. SENATOR FROM VERMONT

Mr. Chairman, today we continue the process begun in hearings at the subcommittee level on February 22 and 23. In those hearings, the primary topic was the administration's proposed food stamp budget for fiscal year 1983. Today, at the full committee level, we will mainly address other issues in the reauthorization of the food stamp program. I would not want, however, the full committee to lose sight of what I view to be the fundamental issue before us—whether or not we impose additional large reductions in benefits for America's most needy citizens.

Last year, Congress enacted about $2.3 billion in food stamp benefit reductions., Over the past two years, about $3 billion in cuts have been legislated. Unfortunately, there are some people who act as if this has never happened. They seem to think that the food stamp program is a bottomless pit where savings can be enacted year after year without hurting the most vulnerable Americans.

At the subcommittee hearings, we heard compelling testimony that the President's new budget proposals would have a devastating, across-the-board impact on food stamp recipients. Not even the elderly and disabled would be spared, as 92 percent of all households with elderly and disabled members would lose an average of $192 a year.

Especially hard hit by the President's proposals would be mothers with children and working households. When viewed in combination with AFDC reductions enacted last year, the President's new food stamp proposals would actively discourage low-income persons from working at all. And, it would create the fundamentally unfair situation where those who work would be no better off than those who do not.

We simply cannot and must not enact massive new benefit cutbacks this year—whether they be the President's proposals or anyone else's. There is no room left to cut without significantly harming the people the President has described as the "truly needy". I hope today's witnesses will also address these budget issues.

Before closing, I would like to address one major issue that will receive much emphasis in today's hearing. This is the proposal to impose sanctions on States with error rates above certain established levels.

This proposal really is a back-door way to impose part of the cost of the food stamp program on States and localities. Certainly, the 3-percent error goal proposed by the President is wholly unrealistic and the eventual zero percent tolerance level cannot be viewed as a serious proposal. No social program of any size is currently operated without error nor can it be. And, even if these were reasonable goals, I do not see how we can expect fiscally hard-pressed States to pick up hundreds of millions of dollars in additional costs in this program next year.

I do think that error rates in the food stamp program currently are too high. They are higher than in AFDC and medicaid, but there are many plausible reasons for this. I do not believe that the solution to the error rate problem is to simply require that States pick up part of the benefit costs of the program. I know that several witnesses today will explore this issue thoroughly.

I am particularly interested in the GAO testimony on the use of error rate sanctions because it appears to run directly contrary to GAO's views on sanctions in the AFDC program. I ask that a copy of the digest of the July 18, 1980 GAO report on this subject be included in the record. Since the food stamp program and the AFDC program generally involve the same State officials and workers, I am puzzled as to why sanctions would be counterproductive in one program but beneficial in the other.

I look forward to hearing today's testimony. I am confident it will assist our committee's deliberations.

[Questions asked by Senator Leahy and GAO's responses thereto:]

Question 1. Your testimony cites the so-called "Michel amendment" that imposes strict error rate sanctions on states for the Aid to Families with Dependent Children program. Please explain the history of the "Michel amendment" and what it requires. Please provide data on error rates in the AFDC program both prior to and after passage of the "Michel amendment". Has there been a sharp decrease in errors since passage of the Michel amendment?

Answer 1. In 1973, HHS established the current AFDC quality control system to measure incorrect payments and provided for assessing financial penalties against States with payment error rates above certain tolerance levels. Based on a 1976 court ruling, in March 1979, HHS eased its criteria for error rate improvement. During deliberations on a fiscal year 1979 supplemental appropriation bill (which subsequently passed as Public Law 96–38), the House-Senate conferees decided more ambitious error reduction efforts were needed in the AFDC program. The conference committee directed the Secretary of HHS to issue new regulations requiring all States to reduce their AFDC payment error rate, stemming from overpayments to eligible cases and payments to ineligible cases, to 4 percent by September 30, 1982. This was to be accomplished in three equal annual reductions beginning with fiscal year 1980. Failure to meet the error rate target each year is to result in the loss of Federal matching funds associated with payment errors in excess of target error rates for each State. This directive, continued as a general provision in HHS' appropriation acts for fiscal years 1980 through 1982, is known as the Michel Amendment.

AFDC payment error rates

Reporting period:	
January–June 1978	10.5
April–September 1978 [1]	9.4
October 1978–March 1979	10.4
April–September 1979	9.5
October 1979–March 1980	8.3
April–September 1980	7.3

[1] 3-month overlap due to change in reporting period to adjust to new Federal fiscal year.

The national payment error rate for the base period (the April to September 1978 quality control period) was 9.4 percent, and the national payment error rate for fiscal year 1980 was 7.8 percent, a 30-percent reduction toward the 4 percent goal. Thus, States collectively came close to meeting the first year error rate goal, however, state-by-state reductions would, of course, vary. Quality control data is not yet available for fiscal year 1981.

The Department's justification for appropriations for fiscal year 1983 stated that further reductions of the payment error rate were expected for fiscal year 1981. The Department said that payment error rates may increase in fiscal year 1982 because of heavy workload on States as a result of changes legislated by the Omnibus Budget Reconciliation Act of 1981. The Department also said that once States adjusted to these changes, error rates would once again begin to decline.

Question 2. Do you believe that states could reduce their error rates in the food stamp program to 3 percent by the beginning of fiscal year 1983? By the end of fiscal year 1983?

Answer 2. An Administration budget proposal would phase in full State responsibility for overpayments during fiscal years 1983 through 1986. Starting in fiscal 1983, the Federal Government would not share in the costs of any overpayments exceeding 3 percent. This threshold would decline by 1 percent each year until, in fiscal 1986, States would have to assume the costs of all program overpayments in the AFDC, Food Stamp, and Medicaid Programs.

With regard to the Food Stamp Program, quality control review results for the October 1980 to March 1981 period show that only one State had an overpayment rate below 5 percent and that 33 States' rates exceeded 9 percent. The national overpayment rate was about 10.6 percent.

Substantially more Federal and State attention to program integrity will be required before a 3-percent overpayment rate can be achieved by the beginning or end of fiscal year 1983.

Question 3. Do you think it is possible for states to achieve significant reductions in error rates without investing additional staff resources and incurring additional costs?

Answer 3. We believe that the amount of additional staff and money necessary to achieve significant reductions in food stamp error rates would vary from state to state depending on the resource levels already committed to program administration. For example, states that already have computerized food stamp systems would probably not have to incur too much additional expense to implement wage screening and wage matching, techniques that hold promise for reducing errors. States without such systems would, of course, incur some expenses initially in setting one up. However, the Department of Agriculture's Office of Inspector General has estimated that wage matching techniques save or recover $7 of program benefits for every $1 spent.

STATEMENT OF HENRY ESCHWEGE, DIRECTOR, COMMUNITY AND ECONOMIC DEVELOPMENT DIVISION, U.S. GENERAL ACCOUNTING OFFICE

Mr. Chairman and members of the committee, we are here today at your invitation to discuss the results of our ongoing and recently completed food stamp program reviews. I will highlight the major issues involved.

Quality control data for the 6 months ended March 1981 shows that 10.6 percent of the food stamp benefits were overissuances, and an amount equal to 2.6 percent was underissued. If quality control reports for the second half of fiscal year 1981 show similar error rates, overissued benefits for the year will total about $1.1 billion and underissued benefits will be about $275 million.

WAYS TO REDUCE ERRONEOUS ELIGIBILITY AND BENEFIT DETERMINATIONS

The vast majority of overissuances and underissuances for this $10.6 billion program stem from errors in determining correct income, assets, and household size. Incorrect data on earned and unearned income caused two-thirds of the loss in the States we reviewed. In most cases, the underlying cause was incorrect data provided by clients or their failure to provide information.

Food stamp offices' failure to obtain sufficient documentation and to make proper use of client-reported data or other available information also contributed to program losses. For example, eligibility workers did not adjust benefit levels based on client-reported changes, and data readily obtainable from aid-to-families-with-dependent-children (AFDC) case files was not used. Caseworkers did not always change benefit levels based on increased income from cost-of-living adjustments or other across-the-board changes in programs such as social security and AFDC. Also, caseworkers did not always apply food stamp regulations correctly. In some cases the complexity of the regulations or the practical difficulties of carrying them out were major factors.

Opportunities for making improvements exist within the present authority of the department and State and local food stamp agencies, as shown by the following items.

Item 1. Regulations now permit States to request more documentation from clients and to perform more verification to reduce errors in five areas—household size, liquid resources, shelter costs, utility expenses, and dependent care. Of the eight States we reviewed, one adopted all five options, four adopted one to four, and three elected not to do any additional verification work. Only one State opted to verify household size, a major determinant of the amount of benefits households receive monthly.

Item 2. States could use the time available for verification work more effectively if they made more extensive use of existing quality control data to identify households with greater probability of having errors in their cases. This technique, known as error-prone profiling, is used more extensively in the AFDC and supplemental security income (SSI) programs.

Item 3. Each State with an error rate of 5 percent or more must have a department-approved plan to reduce errors. Our current work shows, as we previously reported in 1975, that plans often did not address specific problems or causes.

Item 4. Much legislation designed to improve program administration has not yet been implemented. For example, Agriculture has not issued regulations requiring wage matches or expanding the requirement for social security numbers to all household members.

Item 5. Greater use of automated data processing could eliminate errors, facilitate verification, and save caseworkers' time.

LEGISLATIVE CHANGES COULD HELP

The rates of overissuances in the medicaid and AFDC programs in which States share in program costs are substantially lower than in the food stamp program. National averages are about 5 percent for medicaid, 7.3 percent for AFDC, and 10.6

percent for food stamps. Thus far, higher rates of administrative cost reimbursement authorized by law as an incentive for reducing error rates have had little effect on food stamp errors or overissuances nationally. Currently authorized food stamp sanctions provide little hope for quick reduction of the error rate. Agriculture cannot impose sanctions on any States with error rates below the current national cumulative allotment error rate of about 13 percent (a total percentage for both overissuances and underissuances). States below this threshold do not need to reduce errors to avoid sanctions. In fact, their error rates can increase up to the national average without any penalty.

For States with error rates above the average Agriculture can stipulate how fast error rates must decline to avoid sanctions. Established criteria require an annual 10-percent reduction of the difference between each State's current error rate and an assumed acceptable rate of 5 percent. Presently, 19 States error rates, ranging from 13.4 percent to 22.5 percent, exceed the national average. If we assume a 13-percent error rate, and disregard the fact that reductions below the national average are not required, theoretically Agriculture's criteria could allow 30 years to reduce that rate to 5.3 percent. In contrast, the AFDC program requires States with error rates exceeding 4 percent to reach that goal in three equal annual reductions by the end of fiscal 1983.

The President's proposals for modifying several income security programs include phasing in full State responsibility for erroneous AFDC, food stamp, and medicaid program payments. Making States financially liable for program errors would provide a major incentive for better administration, especially for the food stamp program whose benefits are totally financed by the Federal Government.

If such a proposal is adopted, States must be allowed access to data needed to verify applicants' reported income and assets. We recently recommended elimination of certain legislative restrictions on the use of federally maintained data for verification purposes in needs-based programs.

The proposal to consolidate administrative funding for AFDC, medicaid, and food stamps does provide opportunities for savings. We are concerned, however, that administrative attention to the 100-percent federally funded food stamp program may not receive the same emphasis as that given to AFDC and medicaid programs which the states help finance. Much will depend on whether states will be held responsible for program errors.

In 1981 the Congress enacted provisions to control program growth and reduce errors. Provisions to prorate first-month benefits, eliminate boarders as separate households, and significantly restrict benefits to strikers were implemented in September 1981. Rule changes requiring retrospective accounting, periodic client reporting, and expanding the requirement for participants' social security numbers were to be proposed this month. We believe, however, that several additional changes could help to lower error rates.

Legislation not yet implemented requires States to match applicant-reported income with wage data from either state employment security agencies or the Social Security Administration. Regulations to require use of income matching in determining initial eligibility and benefits could help reduce overissuances. Also, periodic matches against existing caseloads could help in identifying overissuances, adjusting monthly benefits, and establishing claims to recover overpayments.

Last year's legislation modified the definition of a household by requiring most family members living together to apply as one household. Unrelated persons and elderly and disabled parents, however, can still claim separate household status. It is very difficult to verify separate household status for people living together Treating persons residing together as a single household for food stamp purposes would greatly simplify the process and would free staff to concentrate on verifying income, assets, and household size.

We are exploring other ways to simplify administrative burdens and avoid errors in determining eligibility. One possibility the Congress might consider is creating a standard deduction for shelter costs rather than taking into account many varying household circumstances.

FEW OVERISSUANCES ARE RECOVERED

We are also currently assessing Federal, State, and local efforts to identify households that have erroneously obtained or been denied food stamp benefits. Little improvement has been made since we last reported in 1977 that only a small amount of overissuances had been collected.

Our current work in six States is revealing similar problems in identifying overissuances, although claims established as a percentage of projected overissuances have increased from 4 percent in 1976 to 4.7 percent in 1980 to 6.2 percent for 1981. The 1981 claims percentage represents about $70 million. However, as in 1976 and 1980, only 1 percent of the overissuances were recovered.

In the 1981 legislation, the Congress gave States authority to pursue collection of overissued benefits through an offset provision. For overissued benefits in nonfraud cases which are not the result of agency error, States must reduce a recipient household's monthly allotment by the greater of 10 percent or $10. A companion provision allows States to retain 25 percent of all nonfraud recoveries except those caused by agency error. Agriculture plans to implement these provisions in May 1982, so there is no measure yet of how this will affect States' collection activity.

These offset provisions could be revised to conform to AFDC legislation which provides for mandatory offset for overissuances caused by agency errors as well as client errors. Of course States should not share in recoveries stemming from agency-caused errors. Offset provisions should be effective in recovering overpayments from households still eligible for benefits, but clearly they are not effective against those no longer receiving benefits.

States we reviewed had mixed reactions to existing administrative procedures for adjudicating fraud. Some found it costly, cumbersome, and too difficult to establish guilt. Others found it an attractive alternative to the courts. The 1981 legislation added "intentional misrepresentation" (in addition to fraud) as a punishable offense under this process. The department has strong reservations that this change will help simplify the adjudication process because a client's intent to benefit would still have to be established.

EXPEDITED SERVICE

We recently reported preliminary information on the food stamp expedited service provision, which allows clients to receive food stamp benefits within 3 working days of application. For the 15 States with available data, from 6 percent to 70 percent of all new cases started on an expedited basis. Quality control data for 20 States showed that errors for expedited cases were generally lower than those for the overall caseload. There is some question whether the data reflects the actual situation because states reviewed only a limited number of expedited cases and some cases selected through statistical sampling were not reviewed. Officials in four States we visited favored a longer processing period of 7 to 14 working days or eliminating this special service because of its disruptive effect on administering existing caseloads.

WEAKNESSES IN BENEFIT DELIVERY SYSTEMS

We also recently reported that agriculture needs to correct weaknesses in its authorization-to-paricipate (ATP) system through which States will distribute $8 billion of the $10.6 billion in fiscal year 1982 food stamp benefits. Losses through the system, resulting from various acts of clients of third-party fraud, were reported to be about $12 million annually. The figure is probably larger because not all reporting jurisdictions filed reports identifying duplicate issuance and others understated their losses. Our recommendation that agriculture identify and require use of those elements of existing systems which are most effective in preventing losses should help in this effort.

Also, at the time of our report, Agriculture required only 17 locations to institute photo identification cards to reduce duplicate issuances. This requirement should be extended to all locations experiencing significant duplicate ATP transactions. More recently, an additional eight locations have been designated. We also recommended (1) further tightening of regulations for replacing ATP cards and (2) requiring states rather than agriculture to assume financial liability for locally preventable losses and billing States for duplicate issuances.

WORKFARE

We have taken a further look at food stamp workfare since we testified before this subcommittee last year. We concluded that implementing a workfare concept was administratively feasible but that local demonstration projects experienced substantial problems getting participants to work on a timely basis. Available cost-benefit data was not reliable for predicting results of an ongoing program. Certain changes we had recommended earlier were enacted to increase participation, shorten job search periods, and increase penalties for noncompliance.

PUERTO RICO NUTRITIONAL ASSISTANCE GRANT

As you know, Puerto Rico will soon be implementing a general food assistance program to replace the food stamp program. The Department has recognized that information from Puerto Rico's experience in developing and implementing this new program could be useful to the States if the President's proposed food stamp/AFDC "SWAP" for medicaid is enacted. In February 1982 we recommended that Agriculture improve and expand the scope of its plans to evaluate Puerto Rico's transition from the food stamp program to the new nutritional assistance grant.

This concludes my statement, Mr. Chairman. We will be glad to respond to any questions you may have.

STATEMENT OF BARRY L. VAN LARE, STAFF DIRECTOR, COMMITTEE ON HUMAN RESOURCES, NATIONAL GOVERNORS' ASSOCIATION

Mr. Chairman, I am Barry L. Van Lare, Staff Director of the National Governors' Association's Committee on Human Resources. I am pleased to have this opportunity to comment on the impact of proposed Food Stamp program and reimbursement changes on the states and on the recipients which we serve through this program. In the interest of time, I would like to confine my remarks today to four major topics:

The fiscal ability of the states to absorb additional food stamp expenditures for program costs shifted to the states;

The states' position regarding the turnback of food stamps and AFDC under the President's federalism proposal;

The impact of new work requirements on the administration of the program and on recipient employability; and

Other proposed changes such as administrative cost ceilings and increased error rate sanctions.

FISCAL CONDITION OF THE STATES

A key element of congressional consideration of additional changes in the Food Stamp program must be the impact that those changes will have on the fiscal condition of state and local governments. It is extremely unlikely that the states will be able to accomplish the full savings projected from error rate reduction or to reduce administrative costs to stay within the limits imposed by the combined welfare administration grant. In addition, the changes that are proposed in the treatment of other cash assistance programs such as Energy Assistance and AFDC may force states to increase other benefits if they are to assure that those in need will receive sufficient assistance.

Unfortunately, the states fiscal condition cannot allow them to meet these demands. As discussed in more detail in testimony presented before the Budget Committees earlier this month, the states are increasingly hard pressed to meet the demands that are being placed upon them. States have been caught in an economic double-bind of recession reduced revenues and recession induced increases in the costs for Medicaid, AFDC, Unemployment Insurance and Social Service programs. As a result, a majority of states entered 1982 either projecting deficits or teetering on the brink of a deficit. Since states cannot legally operate in the red, many states face tax increases or major service cuts. Some brief facts about the fiscal status of the states:

One convention of prudent fiscal planning followed by most states is to have 5 percent of annual spending as a year-end balance—30 states expect to conclude the current fiscal year with a deficit or with a balance below 1 percent.

More than half of the states raised taxes during the 1981 legislative session and most face the need for further increases or reductions in services.

The worsening recession has upset budget planning in many states. Twenty-one states have reported that revenues were below official forecasts. In Wisconsin, for example, the originally projected balance of over $53 million is now expected to be a deficit ranging between $377 and $450 million.

The balance of state general funds, taken as a whole, has declined from $11.3 billion in fiscal year 1980 to less than $2.3 billion in fiscal year 1982. And this was before the federal budget cuts and tax cuts were enacted. In percentage terms this represents a decline from 9 to 1.5 percent of current year expenditures, or in terms of spending rates, about 4 days of state operations.

There exists a serious misconception regarding the level of federal funding of state and local governments. While it is true from a long-range historical perspective that state and local governments have increased the share of their revenues from the federal government, the level of these funds has been on the average decreasing over the last five years in terms of current services.

Federal aid to state and local governments as defined by the Office of Management and Budget has declined from $105.8 billion in fiscal year 1981 to $78.3 billion in fiscal year 1982. This is a 26 percent decline in budget authority. Further, the Administration's proposed fiscal year 1983 budget would reduce the fiscal year 1982 level by an additional 17 percent. In constant dollar terms, federal aid to state and local governments would decline by almost 30 percent from fiscal year 1980 under the proposed fiscal year 1983 budget.

FOOD STAMP TURNBACK

With regard to the federalism proposals, the governors have long supported the concept of sorting out the appropriate roles of the state and federal governments within the federal system. We welcomed the President's leadership with the announcement of his federalism proposal during his state of the union address. We believe that his proposal contains important elements, such as the federalization of Medicaid and the turnback of many categorical programs, which should be considered and adopted by the Congress. At the same time, the states have expressed concern about the inclusion of food stamps and AFDC as programs which should be returned to the states. The N.G.A. has long advocated the federal government playing a larger role in the financing of income security programs. We believe that such a role recognizes the impact that the federal government has upon the levels of dependency and the inequities in the distribution of resources and problems across the states. While states are fully prepared to administer such programs, we believe that there must be a national income security policy and full federal financial responsibility for a basic set of benefits. We believe that the Food Stamp program has moved us far in this direction and, as a result, we have suggested that the AFDC and Food Stamp programs not be transferred to the states. While we are prepared to discuss these issues further, we are convinced that the primary role of the federal government should be preserved. I submit for the record copies of our recent position on federalism and the position on income security which were adopted at the Association's winter meeting. We hope that you will give the President's proposals careful consideration while paying particular attention to the concerns of the states which will have to administer the programs turned back.

As noted above, we are concerned about the fiscal ability of the states to administer the programs returned to us. This is particularly true in relation to the large income security programs, and we hope that the Committee will give careful attention to these requirements as it considers its recommendations for fiscal year 1983. Precipitous cuts at this time could seriously hamper the long-term effectiveness of the federalism approach.

IMPACT OF WORK REQUIREMENTS

States have long argued for more effective work requirements, and we have welcomed federal efforts to increase state flexibility in developing and administering requirements that are tailored to the recipients and economic conditions in individual states. We are concerned, however, that the changes proposed this year may substantially undercut successful state efforts already underway. Three federal actions are of particular concern. First, the administration has proposed to eliminate the work expense disregard and to increase the benefit reduction rate from 30 to 35 percent. These changes will substantially reduce work incentives and may actually make recipients who work worse off than those who do not. Such a change flies in the face of a rational work incentive and should not be approved. Changes made over the past two years have essentially eliminated the problem of recipients with high income remaining on the rolls as a result of unreasonable work expenses. The additional changes proposed this year will remove the remaining small work disregards and may actually discourage self-motivated efforts to find work. Such changes are shortsighted and may actually serve to increase costs.

In addition, the Administration proposes to shift the costs of many employment activities from the federal government to the states through the elimination of special funding for programs such as WIN and the Employment Service relative to their food stamp activities. With the imposition of the cap in welfare administrative costs, it is extremely unlikely that the states will have the funds needed to continue this important service. This is particularly critical in face of other cuts proposed elsewhere in the budget for the Employment Service. The problem is further exacerbated by the imposition of large new procedural requirements relative to work programs for food stamp and AFDC recipients. Under the Administration's proposal, food stamp and AFDC applicants must now conduct a job search prior to application approval. In addition, each state must operate some type of community work experience program. In each case the costs of such activities are to be borne by the states out of capped administrative costs.

While the problem of financing these activities will be serious enough, there is a greater problem concerning the lack of any real state flexibility in the design and operation of these programs. Without such flexibility, states will again be forced into using standard processes that bear little relation to the needs of recipients or to the cost-effective use of limited resources. There is little point in drowning potential employers in a sea of applicants or in providing work experience slots for recipients who already have a work history and are well motivated in seeking future employment. States are prepared to work with the federal government in structuring workable programs. They are not, however, prepared to accept costly mandates that are unworkable and unfunded.

OTHER CHANGES

Another concern of the states is the shifting of costs from the federal level to the states. Federal budget savings are illusory if all that changes in the intergovernmental financing of federal-state programs is the level of government to which the taxpayer writes the check. For example, the Administration's proposed reforms in SSI, Food Stamps, AFDC, and Medicaid would result in a cost shift to the states of as much as $2 billion per year.

For example, as discussed above, the Administration has proposed to establish a number of work requirements and funding modifications that will substantially increase the costs of administering the Food Stamp program. At the same time, the Administration has proposed a cap on the costs of administering all welfare programs. Such an action forces the states to choose the curtailment of necessary eligibility services, the abandonment of federal requirements or the absorption of previously federal costs. None of these choices appears appropriate. If the federal government wishes to reduce administrative costs, it must first address the nature of the federal requirements and determine what requirements it wishes to eliminate. To do otherwise is to ignore the very real problem of limited resources.

The Administration has also proposed to establish a three percent error tolerance in fiscal year 1983, with the tolerance declining to zero over the following three years. Such a step is totally unacceptable to the states. There is absolutely no evidence that the three percent error rate can be achieved within the next several months or, in fact that it is ever achievable. In fact, the federal government has only been able to reach an error rate of 5.3 percent in its own relatively simple SSI program with possible disability errors as high as 20 percent. To impose a lower standard on the substantially more complex Food Stamp program is arbitrary and unreasonable.

This standard is particularly onerous in the Food Stamp program where state actions to reduce errors are substantially constrained by federal rules and regulations. For example, state administrators have long argued that the expedited issuance procedure is extremely error prone, but they are prohibited from modifying it due to federal requirements. Similarly, at least until recently, federal restrictions on the use of verification procedures, social security numbers and other inflexible administrative procedures have increased the possibility of errors within the system. The problem has also been made more difficult by the lack of common standards and procedures between AFDC and food stamps.

States are committed to the reduction of food stamp errors and progress is being made. If Congress wishes to speed up the rate of error reduction, the need is not for additional penalties on the states. The current penalties and incentives will serve to focus the attention that is needed at the state level. They should be given time to work. In the meantime, Congress should focus on providing states the additional flexibility needed to reduce the error prone nature of the current system. The states are prepared to work with this Committee and the Administration to identify the needed changes.

It is particularly important that the Congress recognize that error reduction requires the continued expenditure of funds on administrative improvements and computerization. The proposed cap on administrative costs can only serve to hamper error reduction efforts at a critical time.

On a final note, the states are, as discussed above, also concerned that the Administration is proposing to reduce the value of the food stamp benefit to welfare recipients and to those who receive low income energy assistance. We believe that such changes are not appropriate under current economic conditions. While we have supported efforts to target benefits to those who are most in need, we do not believe that this goal is aided by the current changes. These changes will reduce the food stamp benefits paid to those with the very least income, including those in the lowest benefit states. They will also substantially reduce the value of the low income energy assistance payments to those who are on food stamps. This would appear to defeat the basic purpose of this important supplemental assistance program.

We appreciate the opportunity to present our concerns and look forward to the opportunity to work with you on constructive changes in this important program.

STATEMENT OF RUFUS DAVIS, DIRECTOR, OFFICE OF FRAUD AND ABUSE, GEORGIA DEPARTMENT OF HUMAN RESOURCES, ATLANTA, GA.

I am Rufus Davis, director of the office of fraud and abuse, the Georgia Department of Human Resources, the agency which administers the food stamp program in my State.

I appreciate the opportunity to come before you to discuss some of the ideas we have which might improve the administration of the food stamp program.

Let me point out in advance that my perspective is that of prevention of fraud, waste and abuse in this and other public assistance programs; therefore, my ideas may not always reflect a position which would be taken by the program management of the food stamp program.

A number of ideas were sent to the chairman during February of this year. I will attempt to highlight several and will be prepared to respond to any questions you might have regarding these. I would also like to express appreciation to the committee for the improvements that have been made in the recent past including the incentive provisions whereby States were allowed to retain a percentage of fraud recoupments to improve their abilities to deal with program abuses by the relatively small percentage of recipients who insist upon abusing the program. These incentive funds have constituted a major portion of the resources we have had to utilize for fraud and abuse programs in Georgia. It has allowed us to put in place at least a minimal level of field investigation personnel statewide and to improve our chances of successful prosecution of those cases we refer to the courts.

As to our suggestions for further changes in the program:

(1) We believe that it is time for the Congress to seriously consider abandonment of food stamps as the method for providing assistance. An "endorsement required" document such as a voucher or a check should be substituted. Food stamps have proven to be an expensive and abuse-prone method of providing food subsidies to low income households. Printing, storage, transportation and distribution of stamps entail considerable cost and risk which are generally not present in cash assistance programs. Recipient and vendor abuse have created an environment in which food stamps are almost as acceptable as cash although subject to significant discounts. Food stamps are not "accountable." Tracing of lost or stolen food stamps is virtually impossible.

Vendor abuse as well as recipient trafficking could be eliminated by substituting a voucher or check for the stamps. This, of course, would place the responsibility for the appropriateness of purchases squarely on the recipient, and while it might increase the opportunity and potential for such assistance to be used for other than food items, we know that this already happens to a significant degree in the existing program and that there is hardly any product or service available which cannot be obtained using food stamps. We believe the potential for savings in both administrative costs and prevention of losses due to fraud which would result from a check or voucher system far outweighs the potential loss from any use of food stamp assistance for non-food items.

(2) The food stamp program being a product of numerous interests and philosophies has developed into an extremely complex entity virtually indecipherable even to the expert and intelligent. Efforts need to be initiated to reshape the program, to design it so that it can be operated efficiently using automated systems and to recognize that eligibility determinations are in many instances, made by the same workers who must be expert in several other complex and difficult assistance programs. We believe that it would be desirable to stop trying to tailor each assistance grant to the individual. We know that much of the complexity of the program is related to income and work-related expenses and that it would be helpful to standardize such expenses and make eligibility a function of income after mandatory deductions based on household size. Incentive and standard deductions should

be similarly handled. By eliminating some of the complexity of this and other public assistance programs, it would be possible to bring about a more careful alignment of policies, procedures and requirements mandated for their administration. Considerable improvements should be obtained especially in those areas where eligibility workers commonly work across program lines.

The food stamp program carries some especially onerous requirements for accounting and reporting against outstanding fraud and non-fraud claims. Typically, it is necessary for the local operating agency (which in our case may involve a very small county with only one or two eligibility workers and one clerical staff member) to record these claims with as many as five different accounting classifications: First, the claim may either be "active" or "suspended"—second, the claim may either be a "fraud claim" or a "non-fraud claim" and if it is the latter, a determination must be made as to whether the non-fraud loss was due to an error on the part of a client or the agency. Only with these classifications would the financial and accounting machinery operate to produce correct statewide reports. We believe that improvements can be made in this; for example, simply eliminating what appears to be a useless "suspension" category from the accounting requirements.

(3) There are a number of alternative strategies which would be useful in correcting problems of fraud and abuse not presently allowable under the regulations. In 1981 the Congress approved a "tax intercept" system for use in the child support recovery program which allows the States to intercept refunds due from the Internal Revenue Service to clients who have not honored repayment orders. We believe this system would be useful in the food stamp and other public assistance programs as well.

Recent changes in the aid to families with dependent children program require recoupment of both fraud and non-fraud losses and authorizes the use of grant reduction mechanisms to carry this out. While the food stamp program allows for grant reductions on fraud cases, it is not allowable on non-fraud claims. We believe it would be helpful and useful to extend this mechanism to recoup non-fraud losses.

Food stamp regulations provide for an arbitrary twelve month cut off in calculating non-fraud losses. We believe that this seriously masks the extent of loss experienced. We believe overpayments, regardless of reason or time period, should be subject to reasonable recovery efforts.

Food stamp regulations provide that claims may be processed as fraud claims only after adjudication by the courts or a positive finding in a food stamp fraud hearing. We are beginning to experiment with a form of voluntary consent agreement which, if successfully implemented, could result in considerable savings in time and administrative costs—replacing the more formal judicial requirements in numerous instances where fraud losses are small or where there are other contraindications to the use of fraud hearings or the court systems.

Current regulations require that claims be compromised in those cases where a claim cannot be easily liquidated by the recipient within a period of three years. This provision is subject to differing interpretation by caseworkers and obviously serves to reward persons who have illegally received the most. We believe that no useful purpose is served by the compromise requirement, and that it should be removed from the regulations.

(4) As in the case of the aid to families with dependent children program, food stamp regulations require that semi-annual quality control surveys be accomplished by each of the States to statistically determine the percentage and type of errors and losses in the program. We applaud this requirement in the belief that a good quality control system is, or can be, an extremely effective management tool. However, we note with concern that the FNS mandated quality control system completely ignores "fraud" or "willful misrepresentation" as a sample characteristic. The FNS system categorizes errors as to origin, client or agency, and by type, but makes no attempt to isolate deliberate wrongdoing by the client. This not only masks some of the more important underlying causes for fraud, waste and abuse in the program, but makes the quality control survey much less valuable to the State agency in examining and developing corrective action plans.

I will be happy to provide additional information on these suggestions should you feel they merit consideration. Please accept my thanks for your attention and feel free to call upon us for any assistance that we might provide.

[The following articles and statement were submitted by Ms. Elizabeth Samkowski. See p. 41 for the oral testimony of Ms. Samkowski.]

[Reprinted from the Indianapolis Star, Mar. 18, 1982]

Monitoring Welfare

Aid to Dependent Children, the largest of the welfare programs, is fairly easily policed in rural areas or small towns. Everybody knows everybody else's business—or enough of it to keep things on the up and up.

In large metropolitan areas, the story can be quite different. Anonymity and overloaded caseworkers can encourage fraud and abuse. That is why the ADC error rate of the Marion County Department of Public Welfare for April through September of last year deserves attention.

State and federal reviewers examined 236 cases and found only 13 to be faulty. That makes for a case error rate of only 5.5 percent, well below the state rate of 8.7 percent, which is one of the best in the country.

Three Marion County cases were determined to be ineligible, one was underpaid and nine overpaid. None of the cases reviewed was found to be improperly denied assistance or improperly discontinued. That's the flip side of the coin regarding fairness. Though cheaters must be exposed, the department also must deal justly with those truly in need.

Even more impressive is the payment error rate, which was less than 1.7 percent. "That means that of $47,455 received by the 236 families during the six months' period, only $797 was inappropriately paid," said Elizabeth Samkowski, Marion County welfare director. That kind of batting average is something to boast about.

Miss Samkowski attributes the record to "diligent efforts and administrative controls." Perhaps there's more to the story. In 1981, 118 of the 119 individuals charged with welfare fraud were found guilty and 68 of the guilty went to jail for anywhere from two days to three months.

In 1980, convicted cheaters served a total of 773 days but last year that number rose to 1,478 days.

Whether it's administrative control, plain hard work or the increasing likelihood that cheaters will be caught and punished, the welfare department is doing something right. For its efforts it can count not only on public commendation but a substantial windfall from the federal government. Uncle Sam rewards those states which keep the ADC payment error rate under 4 percent and the state distributes the rebate among eligible county departments.

Marion County already has received $43,181 for its January through September 1978 record. It anticipates similar incentive payments will be received for subsequent six-month periods. So local recipients benefit twice from responsible, accurate dispensing of welfare. Miss Samkowski and her staff are to be commended for a job well done.

[Reprinted from the U.S. News & World Report, Mar. 30, 1981]

A Worker: "I Begrudge Living Less Well Than the Poor Do"

It's not just the lifestyles of the well-to-do that irk struggling middleclass Americans. Many are upset over government benefits for the needy that are denied them.

In the following article, which appeared in the New York Times, Kathleen Kroll, mother of a 6-year-old daughter and a columnist for a newspaper in Quincy, Mass., describes her own mixed feelings about welfare families.

Pembroke, Mass.—There's something disconcerting about standing in line at the checkout counter behind someone using food stamps—especially when one is paying for one's own order with the family's mortgage money.

Breathes there a soul so liberal that comparisons do not arise upon watching such purchases? My though processes work this way: "Hamburger, I'm buying hamburger. She's buying a roast. Potato chips, candy—will food stamps really pay for those?" Then I watch as the cashier rings them through with nary a word.

My basket is full of generic no-names with their depressingly obvious black-and-white labels. Hers, my God, rivals the rainbow—not a cheapie to be found in that order.

I find myself thinking that there must be something terribly wrong with a system which causes me to, even for a moment, consider the advantages of being a food-stamp recipient.

"God help me," says my conscience, "the poor soul probably needs them." "God help me," says the rest of me, "so do I!"

The rumors fly fast. And I ignore them. I really do. Third-party stories are just that—stories.

It is personal experience that rankles me. A friend who delivers takeout dinners assured me unabashedly that his best customers pay him with food stamps. I was aghast, but he seemed to take it for granted. According to him, it's legal.

While window-shopping at a lobster pound and bemoaning the astronomical prices, I spoke to the owner. "See this?" he said while fanning food stamps. "The only lobster sales I've had today were paid for by these. Sad commentary, huh?"

Huh, indeed. I left, half-heartedly clutching a small package of frozen fish.

All the way home, I wondered: "Where did I go wrong? Does this really bother me? Should it bother me? Does it bother anyone else?" It was a long way home, believe me.

It's not that I begrudge the needy. It's just that I begrudge living less well than they do. Three doctors in a week have refused to process my insurance forms. "Sorry," said one receptionist, "pay now. We no longer submit insurance forms." I had to pay $90 for my daughter's ears, $50 for mine, $30 for bronchitis—all out of pocket. "I don't carry that kind of money around," I said. "What would you do if I had medicaid or medicare?"

"Many of our patients do," came the reply. "We'd have to submit them for you then. Those are the only forms we do process."

Great. Tell that to the bank when my mortgage payment is due.

As I looked about the waiting room, I tried to single out even one medicaid patient. No luck. They look like everyone else. And they get treated like everyone else—better, when it comes to payment forms. Ah, then I saw a man fingering a medicaid card. Mesmerized, I watched the receptionist, who had not kept her voice down when we were talking about paying my bill. She was suddenly transformed into an understanding protector of the medicaid patient's privacy, of his sense of dignity.

My jealousy knew no bounds. Indignation gave way to something else: Longing. Longing to own such a magic card, to be one the accepted, to be one of the true participators in society, to, for once, be a taker instead of a giver.

"Oh," a friend once said, "you're too proud to withstand the humiliation of public assistance, of food stamps, of medicaid. It's degrading."

That may have been so at one time. But what could be more degrading than struggling to move to a nicer home, a better neighborhood, trying "to keep up with the Joneses" who just happen to be setting the pace with your tax money?

And where is the incentive for the Joneses to get off welfare, to "live the good life"? They already live it.

Sure, he's employed. So is she. They are not married, but it seems that one or the other of them qualifies for Section 8 housing, medicaid, low-interest farmers' loans, free college tuition—plus expenses—free child care, as well as food stamps.

Another neighbor summed it up for many of us when she said: "Why should my husband and I have to work 70-odd hours a week to earn $30,000 a year, to live equal to, or substandard to, a welfare family? Ridiculous!"

What could I say to that?

I couldn't argue with it. After all, while I was feeding a wood stove and living in one room of my house all winter, the Joneses lived it up in warmth and applied for fuel assistance.

Where is my piece of the American pie? I finally figured it out. Yup, it seems the system has placed it on someone else's table.

Attached are my observations about our social welfare programs. For the past 11 years as a Probation Officer in Municipal Court, Indianapolis, Indiana, I have been in close touch with the public, talking to thousands of people yearly: probationers, city-county employees, and the general public. Many of my probationers are also welfare recipients.

Anna Ruth Graves, 9825 Pleasant Way, Indianapolis, Ind.

THOUGHTS RELATING TO SOCIAL WELFARE PROGRAMS

(By Anna Ruth Graves)

The following observations are drawn from years of experience and contact with thousands of people representing the general public, including taxpayers and the welfare recipient population. As we the working taxpayers, and our country, are together going broke, I am compelled to say some things. I feel I speak for not only myself but the other mainstream Americans: the working taxpayer and voter.

The social welfare system, specifically the Assistance to Dependent Children program, is literally killing us. The high tax we pay to support social welfare programs is forcing us to have fewer children or *no* children. So, you see, we literally *are* dying off.

On the other hand, these same taxes are used to propagate what is now beginning the fourth generation of both Americans and foreigners who do not work for a living and are supported by the taxpayer. Simple arithmetic shows a picture of a great country which has nearly destroyed itself by creating its own problem. Our ADC welfare program has produced our very own poor in the past 45 years. The government classifies these millions as "the poor" because only their tax-free welfare check is counted as income. Add to that the real income which comes along as you get your foot in the welfare door: Food Stamps, Medicaid, which is a free ticket to a comprehensive medical and health care program, including drugs, transportation for medical services, appliances, all kinds of therapy, etc. Blue Cross-Blue Shield has said it cannot sell a similar health care program to the public because it would be so expensive a working person could not afford it. The list goes on. Being an ADC recipient entitles you to a wonderland of benefits: subsidized housing—a four bedroom apartment as low as $10 monthly, help to pay energy utility bills, free legal service, free day care for children, free school lunches, free schooling to learn vocational skills. It opens a treasure chest of free social services which are not available to the ordinary working person.

We are propagating at an alarming rate what the government calls "the poor", although many of them are far better off than the working taxpayer.

We are actually producing our own burden. These are the very people who do not produce, who are carried on the backs of the taxpayer. These people account for much of the crime because they have nothing to do and no direction in life. After 45 years of carrying this load of social welfare programs, the government is now broke. The working taxpayer is nearly broke.

Who is rapidly becoming "the poor" of America? The working taxpayer. Chipping away bit by bit at the current social welfare programs will never solve the problem. Only cutting it out will cure the cancer—cutting out these federal programs. Legitimate needy people—the elderly, the disabled, the people who cannot help themselves, can and should be helped through locally funded programs. Their needs will be met much more efficiently and effectively by those who are closest to them.

The millions of mothers and children on welfare will have homes and income. Natural fathers will be forced to support their own children and provide homes for them. I submit—is there anything wrong with that? Other mothers and their children will live with their mother or grandmother or sister or other relative. They will have food and shelter.

Is this an oversimplification? Not at all. Parents should support their offspring. For at least 160 years, this was very much the American way. The ADC welfare system promotes one way of life: fathers produce children but don't have to support those children either financially or emotionally. They don't marry the mother, or if they do marry, they later separate or divorce and the children become a burden on the taxpayer.

This system is not only immoral, but also madness, because it destroys the person who wants to work and produce and keep our country alive and great as we know it.

Illegitimate pregnancies among teenagers are increasing at an alarming rate. The fact that these teenage ill-prepared mothers can readily get all the benefits of ADC is probably the greatest factor causing this problem.

I place two other programs in a similar category to the ADC welfare program. They are the Social Security programs of Disability and Survivor's Benefits. I have seen widespread abuse in these programs and it is no wonder that my Social Security tax is so high.

We are told that the social welfare programs can never be dismantled, that the bureaucracy is too huge. I believe anything is possible. We are told that if we tried to eliminate programs we will have a revolution or rioting in the streets. As a concerned citizen, I am carefully tuned to the ear of the public. The voter is angry and upset about welfare programs. If the lawmakers tackle these programs head-on and scrap them, they will have the vote of the vast majority of responsible citizens. If the lawmaker does not tackle it, the revolution may come from the taxpayers. The taxpayer works hard for his paycheck and he wants to keep that check. He wants to be able to afford to have his own children, to support and care for them, not someone else's.

There is one way to help the taxpayer, and that is to eliminate federal welfare programs and return to local government the responsibility for helping the truly needy.

For 45 years we have heard, on one side of the aisle, the hue and cry that we must help the poor and needy. All those years we have been paying the bill to multiply those poor, and gradually going bankrupt.

Isn't it about time that both sides of the aisle come out loud and clear in support of the working person who is very rapidly becoming the poor?

Not only is the government going broke, but so are we.

STATEMENT OF FRANKLIN R. JOSEPH, SUPERINTENDENT, DANVILLE SOCIAL SERVICE BUREAU, DANVILLE, VA.

I appreciate the opportunity to speak to you for a few minutes about the current status of the food stamp program and also recommendations as to changes that need to be made. I represent the Danville, Virginia Social Service Bureau, a welfare agency with a food stamp case load of approximately 1800 cases each month. In reviewing the new food stamp regulations which were passed last year, we have not found that recipients were hurt by these changes, and we have not experienced a reduction in case load. The current economic situation instead has increased the case load slightly. Actually because of the $85 standard deduction regulation, the number of food stamps issued per family has increased by $26 per four-person household. I believe that more changes in the program are necessary as there continues to be much duplication of effort between different parts of the general public welfare programs when defined broadly. The thrust of my proposals are to:

1. Eliminate abuse in the program.
2. Improve the system from an administrative viewpoint.
3. Eliminate inequities in the program.
4. Emphasize the client's responsibility.

SEPARATE HOUSEHOLDS

1. I recommend that the separate household regulation be changed and that everyone living under the same roof shall be considered as in one household unit and the income of all household members be counted in determining the allocation.

Comment: The 1981 change in separate household regulations to count the income of immediate relatives and not allow the separate household for them has been a great improvement. However more change is necessary as we have numerous situations where the system is being abused. For example, we have a case where a couple is living together, and the man earns approximately $25,000 a year which is at least $10,000 above the Danville average income. Because he declares they buy and eat their food separately, none of this man's income can be considered available to the woman and her children under the present regulations. Even if the children are his children, none of this income can be counted. It is our feeling this regulation is a disservice to the taxpayers as those households who are able to provide for themselves, should.

WORK REGISTRATION

2. A parent/caretaker should be required to register for work when the youngest child turns six years old.

Comment: Presently the required age of registration for work is 12 years of age and this change to age 6 would bring it in conformance with the ADC regulations.

3. A parent/caretaker should be required to register for work when the youngest child turns six years old, regardless of the work status of the other parent/guardian. (Both parents may be required to seek employment, if not disabled, with either local welfare agency or State employment office.)

Comment: We believe that in view of the fact that in many taxpaying families both parents have to work in order to make ends meet, it is only fair to have the same expectation of those who receive benefits and are physically and mentally able to seek employment.

EXPEDITED SERVICE

4. Only those households who have not received any income in the month of application and who do not expect to receive any income the rest of the month of application should be eligible for expedited service. All other households should be required

to go through normal verification procedures. (Some clients will be receiving pay checks after the date of application and during the month of application.)

Comment: Presently this provision is being abused severely and about 40 percent of initial applications result in expedited services. In many of these cases there is not an emergency as there is income or other resources available to the client. However, under the present regulations if the client states they have an emergency situation and no resources, we must accept their word and process the application as an expedited service.

5. A person who is processed as expedited should have a lower resource level than regular food stamp applicants. Families with $1500 in the bank do not have an emergency situation.

Comments: Present regulations allow a family to be eligible for expedited service if they have $1,500 or under in the bank. It is our feeling that individuals with this amount of money in the bank do not have an emergency situation requiring expedited services, and therefore the limit should be greatly reduced for them to be eligible for expedited services

RESOURCES

6. As to resources, the client's home and one lot if within a town, or the home and five acres, if outside a town, should be exempt as a resource.

Comments: We recommend this change as the current regulation states that the individual can own a home and all land directly attached to it which could be 150 acres of prime farm land or even a greater amount of land. We believe that some realistic limit must be put on the amount of land a client can own and still be eligible for help through public funds. Land is a resource that can be turned into money.

7. The resource limit for households not qualifying for the $3,000 limit should be $600 as in the ADC regulations.

Comments: We support the maintenance of the $3,000 limit for households that include elderly but feel the uniformity of regulation between ADC and Food Stamps should be established at the $600 level for all other clients.

8. Joint ownership of non-liquid property should be counted as a resource to the household unless the owners have taken legal action to dispose of the property. This was the former policy.

Comments: We have many cases where because of a joint ownership that the land is not considered available to the client unless the other party agrees to sell.

This quite often involves a valuable piece of property which could be turned in to funds if the parties involved so chose. However, public funds should not be used to support individuals who have ownership in a valuable property.

INCOME

9. All sources of income in household should be counted in figuring the food stamp allotment regardless of source.

Comments: We believe that all families should be treated equally who apply for food stamps. Under the present regulations, many individuals are treated differently because of special exemptions of income which include vendor payments for rent and utilities, Vista volunteers, CETA, boyfriends, Section 8 checks for utilities, children's salaries, etc.

As an example, we have presently a Vista volunteer placed in a local Legal Aid Office, earning approximately $500 income per month and none of this income can be counted towards the food stamp allotment. Another client who earns approximately the same amount working in the Woolworth Five and Ten, we must consider all of the income of this individual in calculating the allotment. The present income policies discriminate against some clients and we believe everyone should be treated equally.

10. Clients should be required to provide verification of a change of income circumstances within 10 days of the actual change. If the information is not provided, the agency should then send notification of their intention to close case at the 20 day point. On the 20th day if verification is not provided, the case should be closed.

Comments: This recommendation involves a problem where the client will call and state a member of the family has become employed but does not provide actual verification of income to be received. If the client does not provide the specific information until after the 20th of the month, it is necessary for us to give them a ten day notice and continue the eligibility for food stamps another month. However, the client who provides the information promptly will not receive this extra month's stamps. The present regulation treats those who provide information promptly differently than those who do not cooperate with the agency in a timely manner.

ADMINISTRATIVE DUPLICATION

11. ADC clients should not receive food stamps. Instead ADC check should be increased as necessary.

Comments: The above recommendation would eliminate the processing of ADC clients through two programs and save administrative costs.

12. In order to avoid duplication of benefits, food stamp recipients should not be eligible for free school lunches or breakfasts. Instead federal regulations should be changed to permit the use of food stamps to purchase monthly or weekly meal tickets at school offices. (This will avoid the necessity of students having to use food stamps in the cafeteria.)

Comments: Currently in Danville the same household can receive food benefits in the ADC check, in food stamp allotment, in WIC checks, and in free school breakfasts and lunches for the children. It is not appropriate for us to provide food stamps for 21 meals for each child a week while ten of those meals are actually provided for the child in the school system. This is a duplication of benefits and is not fair to clients who receive only one benefit.

13. Food stamp benefits of employed recipients should be based on the number of hours of work available to a client, as verified by the employer, up to a maximum of 40 hours per week. Exception: Supplements would be provided when income lost due to a verified illness.

Comments: Over the years we have had numerous complaints from employers who indicated that their employees receiving food stamps refused to work full 40 hour weeks because they would then not be eligible for food stamps. It appears that these clients have developed a dependency on the system and feel threatened when it is possible for them to move out of the system.

STANDARD DEDUCTION

14. We recommend that the standard deduction of $85.00 be given to only households with one or more members aged 60 or more if a member were receiving SSI disability or RSDI.

Comments: This particular provision increased the amount of food stamps issued to families after the new changes came down last year. We are suggesting that only those with special needs such as SSI disability and disability Social Security recipients get the special deductions.

COORDINATION OF FINANCIAL PROGRAMS

15. Policy regulations for food stamps, public assistance and medicaid should be correlated including the policy regarding resources and/or property.

Comments: In view of the fact that many of our clients receive benefits from food stamps, public assistance and medicaid, the regulations in these programs should be correlated for administrative simplicity.

PENDING APPLICATIONS

16. We propose that if client does not provide the necessary information to determine eligibility by the 30th day after the application has been filed, the application should be denied. (This should be sufficient time.)

Comments: Under the present circumstances we must hold the initial application until the 60th day and this often results in a client receiving an extra month's allotment of food stamps that they would not have been eligible for if they had provided the information on a timely basis. Normally if a client has been told they must provide the information regarding employment, income, rent, and other pertinent information, 30 days should be more than sufficient time.

OVERISSUANCE

17. The agency should have the option to withhold an appropriate amount of coupons from the monthly allotment of non-fraud overissuances, if the client does not agree to repay in cash.

Comments: In view of the fact that the Department of Agriculture requires collection of overissuances, the recoupment by withholding the appropriate amount of coupons from the allotment would be the most efficient method of recovering funds if the client does not willingly pay back the money owed. This would be similar to the method used by Social Security.

FRAUD

18. Disqualifying the whole household should be possible when a member has been convicted of fraud. Either the Judge of local agency should make decision (was policy in 1974).

Comments: This policy was in effect in about 1974 and worked rather well. At that time the local Superintendent did have the flexibility in that he could make a determination as to whether or not to invoke this regulation. The flexibility in this policy is necessary in order that under special circumstances families would not actually go hungry.

ISSUANCE

19. The minimum allotment should be $10.

Comments: Allotment of less than $10 is not cost beneficial and the client often chooses not to come in for the stamps.

ZERO INCOME

20. Zero income cases should not be eligible after four months unless a viable explanation is provided as to how they are paying their bills.

Comments: We have a case where a women with two school age children claimed no income for a year. It was our feeling that she had income which she was not telling us about but we could not determine what it was, or how she was paying her bills. Present regulations require the local agency to continue the food stamps indefinitely under this circumstance even though the facts indicate there is some source of income.

STATEMENT OF BEN NIBLOCK, DIRECTOR, JOHNSTON COUNTY DEPARTMENT OF SOCIAL SERVICES, SMITHFIELD, N.C.

I have been Director of the Johnston County Department of Social Services for three years. Johnston County has a population of 70,000 persons, has a geographic area of approximately 800 square miles and is primarily rural.

I also come to you today as the Chairman of the Legislative Committee of the North Carolina Association of County Directors of Social Services. In this capacity I have occasion to contact and communicate with my fellow County Directors of Social Services frequently and they have given me every indication that they strongly support the Food Stamp Program.

Personally, I have a firm belief in and solid committment to the Food Stamp and other Nutrition Programs. I sincerely consider the Food Stamp Program to be the most successful and significant piece of legislation ever enacted by the Congress to assist low-income people as far as meeting the goals and objectives for which it was established. Since it has only been mandatory nationwide since October, 1974, I am sure we have not had enough time to realize the full benefits from the program yet.

I know you are all aware of the sizable reduction in malnutrition attributable to the Food Stamp Program, especially that of children; therefore, I will not go into a detailed enumeration; however, I think it is imperative that we be ever mindful of the important and major role good nutrition plays in enabling bodies to develop healthy both mentally and physically. As vital as a strong national defense is to our national interests, without healthy bodies and strong minds the most impressive and sophisticated military force and weaponry in the world will have at least diminished value.

Since a more healthy populace will greatly reduce the cost of Medicaid and other medical and health care programs, will be more productive as far as employment is concerned, it seems to be that a program that provides these kind of benefits and takes only 1.63 percent of the total Federal budget is hardly deserving of further cuts.

Some may say that Food Stamp recipients do not buy nutritious foods and prepare wholesome meals, but an extensive study done by Washington State University a few years ago indicated that Food Stamp families practiced better nutrition than the population at large.

I would like to mention at this point that while the administration of the Food Stamp Program is certainly not perfect and some of the changes I would recommend are as follows: Provide incentives to states to integrate their Food Stamp Programs with their Computer Terminal Systems and some discretion, but by no means blanket authority, to contact collaterals as part of the verification process without obtaining clearance from the client. Currently I believe this is a regulatory issue.

Presently our Directors Association has a recommendation before the State that we be able to cross-match with the Employment Security Commission and State Department of Motor Vehicles. I also believe that Quality Control reviews should deal with the time frame in which the certification or re-certification was done and not assess errors on the basis of what occurred after the fact.

In the next few paragraphs I will deal with some of the proposed cuts and why I think they should not be enacted.

I am stongly opposed to eliminating expedited service because I believe that we should be able to help destitute persons and families with crisis situations with a minimum delay.

I also feel the advance-notice requirement should be retained since it provides some incentive for persons to try to secure employment if they know their benefits will not be terminated immediately. In addition, most employers hold wages back at least a week and since the vast majority of Food Stamp recipients are not even close to the poverty level they need assistance during transition periods when they are first starting their employment.

Concerning the counting of energy and housing assistance, this would make a relatively simple program more complex and would add to the administrative cost. Especially when you are dealing with one-time assistance payments as in the Low Income Energy Assistance Program, the cost of verifying the amount of the grant would likely offset any savings that would accrue to the Food Stamp Program. I know this sounds repetitive but in this day of high utility and energy costs, the low income people that make up our Food Stamp roles certainly need and deserve assistance with their energy expenses.

Next, I would like to turn to the proposal to raise the benefit reduction from 30 percent of countable income to 35 percent. This would reduce benefits for some families as much as 57 percent. This would also serve as another disincentive to work and since the Thrifty Food Plan barely, if at all, provides enough benefits, I am firmly opposed to a further reduction.

Next, I would like to state my opposition to the elimination of the $10.00 minimum benefit. My reason is that small amounts of funds mean a great deal to people that have so little, therefore, I would hope that the $10.00 minimum benefit would be retained.

Relative to Workfare, I am convinced that in our county at this time anyway it would not be feasible and that the administrative costs would prevent if from being cost-effective. In my judgment, our concentration should be directed toward getting people meaningful jobs that would make them self-supporting rather than being concerned that they work off benefits they are properly entitled to.

In closing, I would like to reiterate my previous statement that while the Food Stamp Program is not perfect and I certainly will support any authentic efforts to improve it, I do really believe that it goes a long way toward meeting the nutritional needs of our families living below the poverty level. In addition, it obviously provides benefits to the food industry in the form of jobs for people and the farming and food industries own economic betterment. If any country on earth can provide food and an adequate diet for our hungry people surely it is the United States of America. In my opinion, we can and we should feel a profound moral obligation to do so.

STATEMENT OF ACEL MARTELLE, DIRECTOR, STATE DEPARTMENT OF HUMAN RESOURCES, CARSON CITY, NEVADA

I. FACTORS CONTRIBUTING TO NEVADA'S LOW QC ERROR RATE FOR THE FOOD STAMP PROGRAM.

A. Specific direction from top management. A Management by Objectives system was implemented and involved every staff member of the Food Stamp Program. Therefore, guidelines set by the Administrator would be more obtainable. One of the priority goals was to "reduce error to within federal tolerances" and administer the most accountable program possible while still maintaining accessibility.

B. A manual committee was organized consisting of a cross section of Eligibility and Payments staff to simplify State Policy Manuals. Forms, procedures, etc., were eliminated that were not necessary. The federal language was reduced to simple English, understandable by all. The program chiefs and their staff continue to insure that policy is written in simple, clear and concise terms.

C. A policy committee compsoed of Program staff, Quality Control and field on-line eligibility staff assures uniform interpretation of policy statewide and makes necessary policy revisions/clarifications.

D. Consistent work performance standards were implemented on a statewide basis whereby every Welfare Division employee's principle assignments and responsbilities in qualitative and quantitative terms were clearly specified. Formal procedures were established to document performance in conjunction with the employee's work performance standards. Formal policies were developed relative procedures for progressive discipline when performance standards are not met. Employees have been dismissed for not meeting established standards.

E. An improved, inhouse eligibility worker training program was established by our own Division staff. Quality Control staff assisted in instructing on budgeting/verification processes; the philosophy being that if the workers on the line were to verify in the same manner as Quality Control the changes of error would be greatly diminished. Updated/ongoing training is provided as needed.

F. Supplemental internal Quality Control systems were set up in the Las Vegas and Northern District Offices. Their findings, recommendations, and corrective actions are administered at the local levels.

G. Food Stamp forms were revised to accommodate verification of eligibility factors on the same form. It closely followed the Federal Quality Control format and provided guidelines to the eligibility workers on what factors required verification and greatly reduced the changes of error. The format used simplified and enhanced the case review process on the local, state and federal level.

H, An effective supervisory review system was set up on the eligibility line. For example, 35 cases per month per worker are mandatorily reviewed by supervisors in the Food Stamp Program.

I. The manner in which cases are assigned is a prime factor in reducing error rates. The method used in Nevada creates accountability for case work completed. An application, when recieved, is assigned to one eligibility worker and is completed from interview all the way through to approval and/or denial by that same worker. Once a case is approved, the same principle is used in assigning the ongoing case maintenance, e.g., approved case is assigned to one worker who is solely responsible for the ongoing case maintenance.

J. Adequate staffing to process verify and monitor cases is another important factor. Current staffing standard for Food Stamp staff is 185 cases per worker.

K. In 1980 computerized budgeting was implemented, further reducing agency error.

L. An Employment Security Department screening system was implemented whereby recipients are matched with employment records to gain wage and unemployment benefit information.

M. Quality Control staff was increased to review nore cases than required by federal regulations. This further reduced errors via identification of error trends and implmentation of problem analysis and corrective action procedures.

N. A corrective action committee was established and meets quarterly at the discretion of the Quality Control Chief. The committee was directly responsible to the Administrator and is required to submit progress reports to the program administrator.

O. The organizational structure of the Nevada State Welfare Division facilitates effective line of communication both from top-level administrative staff to field staff and back. The organizational structure is simple and eliminates the need for many layers of bureaucracy between program development staff and front line field staff.

STATEMENT OF NOBLE P. KHEDER, DEPUTY DIRECTOR, MICHIGAN DEPARTMENT OF SOCIAL SERVICES

I. INTRODUCTION: INCREASED NEED AND SHRINKING RESOURCES

In a recent report to the people of Michigan, Governor Milliken told us that the state faced unprecedented unemployment, falling revenues from state taxes, but increasing demands for governmental services. These forces combined to require cuts in state spending in fiscal 1981 of more than $1.0 billion.

At the beginning of the current fiscal year, many believed that Michigan's economy would begin to improve. This, however, has not materialized; indeed, the situation has become even worse. Current projections are that without any action during fiscal 1982, the state budget will outstrip revenues by some $550 million. But action is required because Michigan's Constitution mandates a balanced budget. Consequently, cuts in state spending of $450 million are being debated, an increase in the state income tax of seven tenths of one percent has been proposed, and state employees are being asked to make more concessions.

Because of double digit unemployment over most of the past 30 months (since July 1979), caseloads in the various welfare programs have dramatically increased. The food stamp caseload, for example, has increased since July 1979 from 250,580 to 388,411 -- a percentage jump of 55 percent. The AFDC caseload has increased more than 15 percent between July 1979 and January 1982. The greatest increase of all, however, has been the state financed General Assistance program. This program provides aid to childless couples and to unrelated individuals; it has grown 109 percent between July 1979 and January 1982. The caseloads have increased, as I have said, because of sweeping adverse economic conditions. People are asking state government for help who have until recently been self-sufficient -- they are doing so because they have no other place to turn and they are doing so with great reluctance.

The Food Stamp Program targets benefits to Americans with genuine need. As a result of the annual struggle to authorize enough funds to meet the program's requirements, there are no longer non-needy students on the program, strikers have been eliminated, and the higher income families lost their eligibility. There are numerous studies which show that food stamp households have almost no countable assets and their average incomes are well below the federal poverty standard. This subcommittee is already aware of these specific data.

II. FISCAL 1983 BUDGET PROPOSALS IN THE FOOD STAMP PROGRAM

Over the years, then, since the passage of the 1977 Food Stamp Act, administrations and Congress have worked to target the program to Americans with the greatest economic need. The fiscal 1982 actions were focused on higher income households by limiting their participation. The fiscal 1983 proposals are quite unlike those of the past in that they would reduce benefits to virtually every eligible household. According to estimates released by the Congressional Budget Office (CBO), more than six million households -- nearly 17 million persons -- would see their food assistance cut in half or completely terminated as a result of the proposed program changes.

The Administration has sent Congress proposals that would cut $2.3 billion from the Food Stamp Program. These reductions would result from the following specific actions:

A. Increase the benefit reduction rate from 30 to 35 percent. Federal Savings: $978 million.

B. Count as income for purposes of determining eligibility and benefit levels, low income energy assistance. Federal Savings: $231 million.

C. Eliminate the special earned income deduction. Federal Savings: $606 million.

D. Eliminate the $10 monthly minimum benefit for one and two person households. Federal Savings: $138 million.

E. Benefit rounding adjustments would be made so that amounts in excess of whole dollar amounts will be dropped from benefits. Federal Savings: $117 million.

F. Able-bodied food stamp applicants would be required to begin job search when they apply for assistance. Federal Savings: $15 million.

There are also proposals that would shift funding responsibilities to the states. One of these would make states fully responsible for erroneous payments after a four year phase-in period. The other consolidates federal funding for administrative expenses in all welfare programs which would then be funded at 95 percent of each state's fiscal 1982 combined federally reimbursable administrative expenses for the total of the three separate programs. The impact of these proposals on Michigan households is outlined below together with the state's position on each specific proposal.

A. Increase the Benefit Reduction Rate

The Administration budget proposes to increase the benefit reduction rate from 30 to 35 percent. Under current law, food stamp benefits are reduced 30 cents for every dollar of a household's countable income, including regular cash assistance payments. The application of the benefit reduction rate, which represents the estimated amount of its own income a household spends on food, reduces food stamp costs by lowering the amount of benefits a household is entitled to receive. The increase in the benefit reduction is estimated to save $978 million in food stamp costs in fiscal 1983. This saving, however, can only be realized by reducing every household's benefits.

In Michigan, for example, all households, if the proposal is adopted, will see a reduction in their coupon allotment ranging from six percent to more than 15 percent for the largest families. Moreover, this proposal disproportionately impacts other large, industrial states because of their relatively higher cash assistance payments and standards.

We are opposed to this proposal not only because it appears to contradict the goals of the Food Stamp Program (to assist low-income households purchase food to meet their nutritional needs) but also because it is not targeted. As we have said, all 390,000 Michigan households would be adversely impacted at a loss to them of $49 million in benefits.

B. Count Low Income Energy Assistance as Income

The fiscal 1983 budget proposes to have low income energy assistance counted as income for purposes of food stamp eligibility and for determining the amount of monthly assistance. In many instances counting such payments as income would result in closing food stamp cases so that rather than helping households with their heating needs, these funds would be diverted to food. When heating bills go unpaid, arrearages build, service is discontinued or state emergency assistance is called upon to meet the need. As discussed earlier, the fiscal situation in Michigan makes it highly unlikely that heating assistance will be available to meet these needs if federal food assistance is reduced.

The estimated food stamp saving from the low energy income assistance proposal, according to Administration projections, is $231 million; Michigan's minimum share of this amount is $8.5 but would probably be significantly higher because heating costs here are greater than the national average.

Michigan strongly opposes this proposal because it will reduce benefits and because energy assistance is targeted to one need while food stamps are aimed at another -- they are not a duplication of assistance.

C. Eliminate the Special Earned Income Deduction

Last year Congress lowered the special earned income deduction from 20 to 18 percent. It has long been recognized that actual disposable income is reduced by certain expenses connected with being employed. The cost of uniforms for hospital employees, for example, is an expense over which a nurse's aide has little control -- it is a requirement for continued employment. Consequently, in the interest of fairness the special earned income deduction was retained at the reduced level last year.

Michigan is in favor of continuing to retain the earned income deduction. It is our belief that every incentive for employment and productivity should be continued.

D. Eliminate $10 Minimum Benefit for One and Two Person Households

Under current law, households of one and two who meet all eligibility criteria are guaranteed $10 in food stamps each month. Minimum benefits are generally received by the elderly receiving social security or SSI and the disabled. If the benefit reduction rate is increased to 35 percent, as proposed, most of these households would lose all program benefits. Households with elderly members comprise about 23 percent of all food stamp households and according to USDA data about 21 percent of them are eligible for the minimum benefit. It is estimated that about 40,000 Michigan households would lose benefits if the proposal is adopted at a value of $5.2 to them. We are opposed to the elimination of guaranteed $10 monthly minimum benefit.

E. Changing Rounding Rules

Current rounding rules used in setting the Thrifty Food Plan cost by household size are adjusted up to the nearest whole dollar increment. The Administration's proposal would require they be adjusted downward. Eligible households may take deductions for child care, shelter costs, and a standard deduction for benefit calculations. Current rounding rules to determine the effect of inflation on these deductions are adjusted upward to the nearest $5 increment. Under the proposal, deduction levels would be rounded downward to the nearest $5 increment.

We are not opposed to this change but it would impact all recipients because benefit indexing would understate inflation increases.

F. Mandatory Job Search for Food Stamp Applicants

Under current law, there are no job search requirements for persons until their eligibility has been established. It is our position that such a requirement, given a 14.6 percent rate of unemployment, would have little real impact on program savings unless the intent is to delay food stamp assistance while applicants are contacting potential employers. Moreover, the requirement could be easily circumvented; all they would need to do is contact employers and return to the office the same day. We are opposed to this proposal.

G. Shifting Costs to States

As noted earlier, the Administration proposes a consolidated capped block grant to fund the administrative expenses of food stamps, AFDC, and Medicaid. Currently, the administrative expenses of these programs are funded on an "as expended" basis without any limitation. In the Food Stamp Program administrative expenses are shared by the states and the federal government -- most expenses are 50 percent federal and 50 percent state. There are, however, several high priority activities where Congress has provided "enhanced" funding so as to provide incentives for more effective program administration. For example, "enhanced" funding is available to states whose error rates are below five percent or for reducing error rates more than the national average rate of reduction. Congress has also provided 75 percent cost sharing for state activities related to fraud investigations and prosecutions. I am pleased to say that Michigan has received this increased administrative matching since it inception: October, 1978. Finally, Congress has provided 75 percent matching for the enhancement of data processing systems that modernize the delivery of benefits. There are numerous other examples of "enhanced" funding in the AFDC and Medicaid programs.

The proposed welfare administration block grant would reduce the amount of cost sharing by the federal government in the Food Stamp Program by about $44 million; Michigan's share of this amount is $1.2 million and we are opposed to adoption. The proposal is premised upon a promised reduction in federal administrative requirements but we believe this should occur before there is any reduction in the federal commitment to share administrative expenses.

Full state fiscal responsibility for erroneous food stamp benefits would be phased in over four years if this proposal is approved by Congress. The tolerance rates for the four year transition period would require states to bring error rates to three percent or less in 1983, two percent in 1984, one percent in 1985. Beginning in 1986 the tolerance rate would be reduced to zero.

If error rates and program expenditures held to current levels, the cost to Michigan of the quality control sanctions, as outlined above, in the Food Stamp Program would total $32.7. This figure assumes an error rate of 11.3 percent and $394.0 million in program expenditures. The current rules define "underissuances" as erroneous payments yet there is no loss to the federal government. If "underissuances" were netted out, the sanction in 1983 would be reduced to $25.3 million and the error rate would decline to 8.6 percent.

We are strongly opposed to any proposal which transfers to states additional costs of the Food Stamp Program. Error rates this low are virtually impossible to meet especially in view of the Administration's proposal to cut administrative cost sharing. The drive to reduce federal spending should not require state governments to increase theirs especially in the face of shrinking revenue bases because of adverse economic conditions.

III. STATE INNOVATIONS IN THE FOOD STAMP PROGRAM

Many people believe that state governments are not concerned with improving Food Stamp Program management because, they say, there are no state funds involved in the benefits. Giving states a greater financial stake in the program will, it is agreed, lead to greater efforts to safeguard scarce resources. Not only are such assumptions professionally offensive they also ignore many management improvements in the areas of food stamp issuance, fiscal accountability, fraud detection and control, and attempts to simplify the eligibility determination process. Michigan has been involved in these fields as well as in actions to reduce errors.

A. On-Line Issuance

The Michigan Department of Social Services implemented an on-line food stamp issuance system in September 1981. The system was patterned after the Genesee County system successfully piloted in 1976. Implementation occurred in Michigan's most populous urban area, Wayne County, with a food stamp caseload of 180,000. The system, 77 terminals and printers connected directly to Michigan's statewide computer system, has eliminated the printing, mailing, and reconciliation process demanded by the use of ATP documents mailed each month.

Each eligible household receives a permanent plastic embossed card with a magnetic strip which is encoded with household information. When the plastic card is passed through the cardreader at the issuance site, an inquiry is transmitted to the statewide system for the household's eligibility status. The current information is then transmitted back through the cardreader indicating whether or not the household can receive food stamps. If eligible, the printer responds by printing the ATP for signature by the household. The response time for the inquiry and reply is less than 10 seconds. Once the ATP is printed, participation is immediately reconciled to the statewide system thus eliminating staff hours and delayed reconciliation which rendered the state vulnerable to overissuances as a result of not being able to quickly determine the disposition of original or replaced ATP documents. This immediate reconciliation prevents duplicate participation by the household and assists issuance agents with completion of daily and monthly reporting requirements. In December 1981, Genesee County with an eligible food stamp population of 22,000 households also implemented this system.

The most significant feature of the on-line approach is that it prevents fraud rather than having to spend time and resources on its detection. This is best illustrated by the finding that authorization replacements have dropped dramatically since the system was implemented. Exhibit A depicts the number of replacements required by regulation for the months of September, October, and November for 1979, 1980, and 1981. Exhibit B shows the reduction in the dollar value of replaced authorizations. In the three months in 1979, $419,000 in replaced authorizations were issued in Wayne County; in 1980 this amount had grown to $545,000 but in 1981, the dollar value of replaced authorizations declined to $69,000.

It should also be mentioned that the administrative expenses connected with food stamp issuance have also been reduced. This is

EXHIBIT A

NUMBER OF REPLACEMENT AUTHORIZATIONS REQUIRED BY REGULATION

MONTHS OF SEPTEMBER, OCTOBER AND NOVEMBER

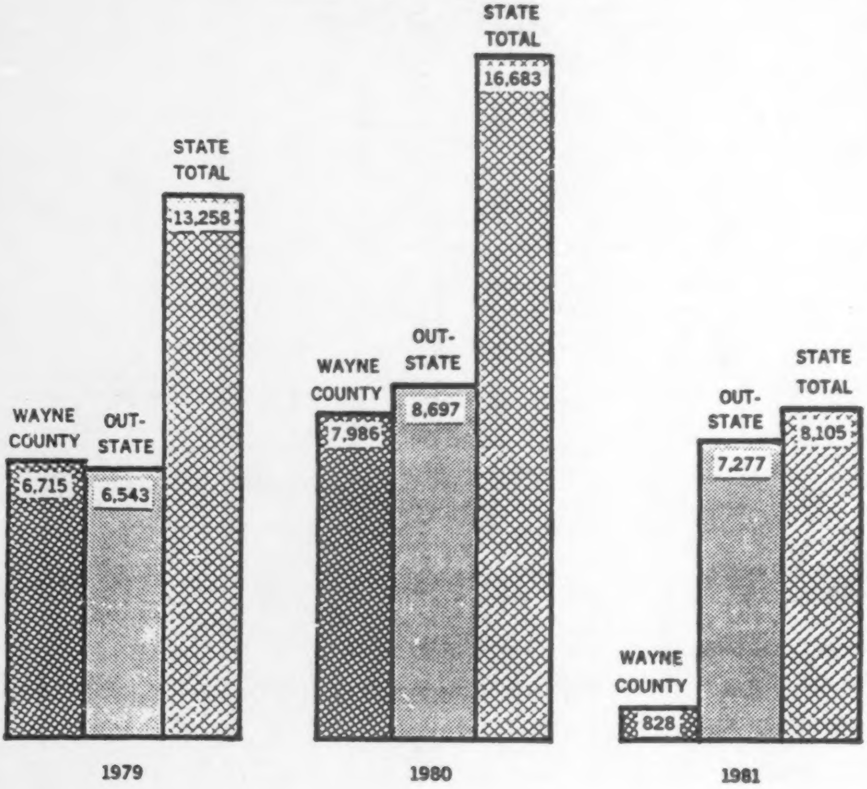
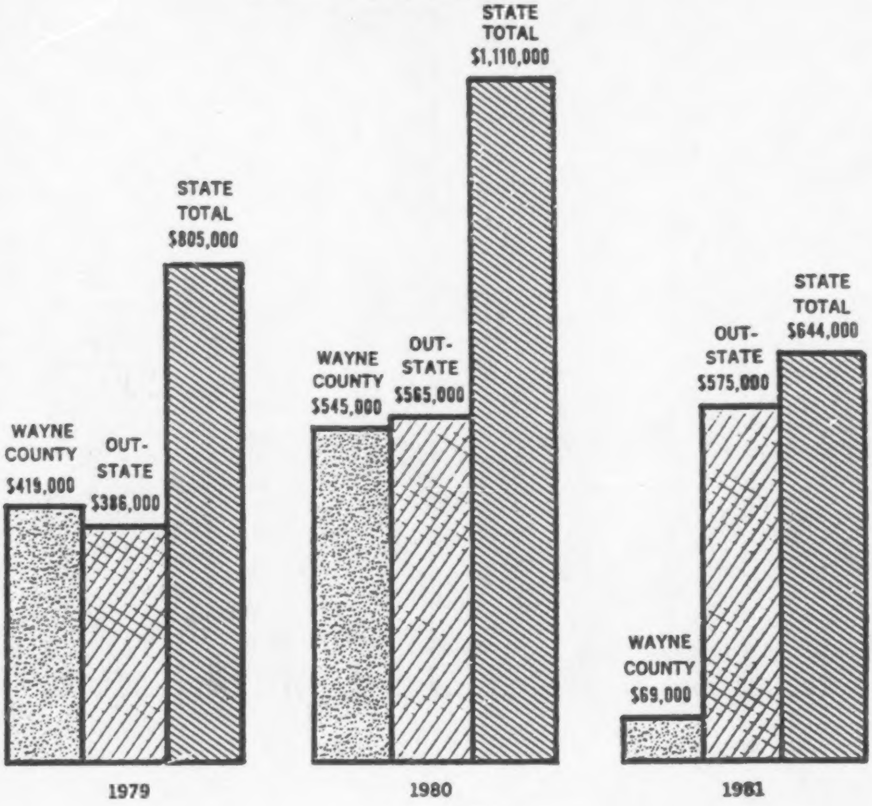


EXHIBIT B

DOLLAR VALUE OF REPLACEMENT AUTHORIZATIONS REQUIRED BY REGULATION

MONTHS OF SEPTEMBER, OCTOBER AND NOVEMBER



because we no longer mail paper authorization documents to more than half of the caseload and we have been able to secure a lower fee-per-transaction from private distribution agents than is charged by the Postal Service. For example, in Genesee County the fee-per-transaction is 98¢ whereas the fee charged by USPS is $1.53.

Our current plans with respect to issuance are to have the entire state either on direct mail issuance or on-line issuance by the end of fiscal 1983 -- paper authorization documents will be a thing of the past.

B. Direct Mail Issuance

The Michigan Department of Social Services started direct mail issuance (DMI) of food stamps in March 1979, piloting the mechanism in three rural counties. Unlike the process developed in most states, the responsibility for DMI was placed with each local office. After demonstrating the success of the pilot, expansion continued through August 1981 to 66 of Michigan's most rural counties, having a food stamp caseload of 71,000 households.

During the pilot period, the three counties involved experienced loss rates (replacements) of about .1 percent. Full implementation of 66 counties has resulted in an ongoing loss rate of .4 percent. Since the direct mail issuance system obsoleted the paper Authorization to Participate (ATP) documents mailed each month, the incidence of replacement authorizations due to lost and stolen documents has been reduced 47%. This has occurred despite a 35% increase in eligible households.

Issuance costs during the same period have been reduced from $91,000 to $22,000 monthly. While this is significant, it is based on the USPS rate of 1980 which was $1.10 per transaction. By applying the subsequent rates of $1.42 and $1.53 per transaction, direct mail issuance has resulted in issuance savings of approximately two million dollars since full implementation.

C. Fraud Detection

Efforts to identify food stamp fraud situations, initiate prompt investigations, and pursue appropriate legal action are quite successful. Between July 1981 and January 1982, the Bureau of Administrative Hearings of the Department of Social Services received nearly 600 requests for hearings. A total of 445 hearings were actually conducted and fraud was found in 385 cases (87 percent). The average amount of the overissuance per case was $207.

During this same period, 102 cases suspected of fraud were referred to the Office of Inspector General of the Department of Social Services. Investigations were completed in 80 cases with 21 of those being referred to local prosecutors for court action. Fraud was determined to exist in 17 of these cases and court orders totalling more than $27,000 in restitution have been issued. We are currently negotiating a contract with prosecuting attorneys that will provide additional incentives for food stamp fraud prosecutions.

D. Collection of Claims

Michigan is presently working on development of an on-line (computerized) claim tracking and accounting system. Congress provided the incentive for this system when it extended the option of allotment reduction in client error cases and recognized that states should retain a portion of the collections.

We believe that this system, along with our Treasury recoupment project which is already in place, will significantly increase our collection of claims. (The Treasury recoupment allows our agency to withhold the amount of outstanding claims from state income tax refunds.)

One hindrance to timely implementation of this system is the overregulation of claims activity. Current regulations specify four different categories of claims and vary the permissible collection activity by category. We believe that claims collection and accounting need not be that complicated. Therefore, we have made recommendations for simplification in our legislative proposals.

E. AFDC/Food Stamp Consolidation Project

Along with South Carolina and Vermont, Michigan is conducting an AFDC/FS Consolidation Project. The consolidation project seeks to determine the effect of adopting the same policies in the AFDC and Food Stamp programs. The areas evaluated will be the effect on benefit levels, error rates, and administration.

It has been our experience that it is not the arithmetic differences of the AFDC and Food Stamp programs that cause errors. These problems result because the basic definitions of income and resources differ between the programs. Unfortunately, neither of the federal agencies involved believed they had the authority to grant all of the necessary waivers to develop a test of a totally congruent program. However, based on our experience thus far we believe that the benefits of consolidation will outweigh the costs. To this end, we have made legislative recommendations which would allow the federal agencies involved to provide the necessary waivers.

IV. ERROR RATE TRENDS AND THE QUALITY CONTROL SYSTEM

Michigan has maintained a slow but consistent rate of error reduction since completing the implementation of the 1977 Food Stamp Act. For the first quality control period after implementation, our error rate stood at 13.6 percent while the national average was 12.6 percent. Since that time, however, the error rate has declined to 11.2 percent while the national average has actually increased to 13.3 percent. When underissuances, which do not result in program losses, are subtracted the Michigan error rate is 8.6 percent.

The 1980 amendments (PL 96-249) established the current sanction/incentive system to "encourage" states to reduce error rates and maintain them at the lowest possible level. Several serious problems were discussed at that time. First, states are responsible for carrying out federal instructions in the Food Stamp Program. Thus, some part of the liability for errors are a direct result of these instructions which are not always flawless.

Second, the Food Stamp Program is administered by state welfare agencies in conjunction with other cash assistance and social service programs. Each one of these programs has a unique set of rules and eligibility workers must have detailed knowledge of them. It is quite easy to become confused and make errors in applying AFDC and food stamp rules to the same case. Income disregards are different and in some instances income is income for one program but not for the other.

Third, the inclusion of underissuances and the provision for USDA to "consider" errors in cases denied benefits in determining error rates and fiscal sanctions seems particularly inappropriate. These types of errors do not reflect actual dollar losses, and there is no evidence of any relationship between underissuances and true program dollar losses due to ineligibility and overissuance.

Fourth, the timeframes for the sanction cycles do not recognize the lag inherent in the quality control process. Moreover, there is not adequate time for in-depth error analysis or the development of effective corrective actions. National data, which is necessary for states to determine performance goals, is not available until we are well into the next assessment period. For example, we did not receive notification of the October 1980-March 1981 national average until February

1982 -- five months into the fiscal 1982 assessment. As a result, we are placed in the position of hastily implementing inadequately planned and untested measures with no guarantees of success.

Administration proposals calling for greater liability for quality control errors against states should be resisted by Congress. The states will achieve timely reduction of error rates if they are provided a program environment that is less error prone. Congress should act to assist states in their error reduction efforts by providing simplification of program eligibility requirements, greater consistency with other grant programs and reducing the frequency of program changes.

V. PROPOSALS FOR CONGRESSIONAL CONSIDERATION

Finally, Mr. Chairman, we have some legislative proposals which we would like to have the Subcommittee consider as it deliberates the reauthorization of the Food Stamp Program. Before mentioning these specifics, though, we would like to recommend that the funding level for the program be sufficient to implement the cost of living adjustments which were deferred in fiscal 1982. Further deferral of these adjustments erodes the food purchasing of needy American families. We would, of course, advocate the removal of the funding cap but since that is politically unlikely it is imperative that the level authorized be sufficient so that benefits are not reduced by administrative action late in fiscal 1983.

The specific legislative proposals relate to the following areas: automatic food stamp eligibility for public assistance families, the introduction of a liquid assets test for households applying for expedited service, strengthened fraud penalties, greater state flexibility in the collection of claims against households when overissuances occur, and increased waiver authority that will enable USDA to make periodic reporting compatible with the AFDC program.

A. Automatic Eligibility for Families Receiving Public Assistance

Before the passage of the 1977 Food Stamp Act, recipients of AFDC were categorically eligible to receive food stamp benefits. With the elimination of the purchase requirement in the 1977 legislation, the categorical eligibility of AFDC families for food stamps was also eliminated. When making these two changes Congress' purpose was to target benefits to the most needy and to facilitate their participation in the Food Stamp Program. Because the work incentive (i.e., income disregard) provisions of the AFDC program were quite generous, it was possible for many non-needy families to receive a panapoly of government welfare benefits that were not well targeted -- thus the elimination of categorical eligibility.

The discontinuation of categorical eligibility for AFDC households for food stamp benefits, however, resulted in the two programs having widely different sets of eligibility criteria that serve, in Michigan, a common population. Indeed, in this state nearly 83 percent of the households receiving food stamps also receive a public assistance payment. The problem is that separate and redundant eligibility determinations must be made for the AFDC family and the food stamp household -- which, as I have said, is frequently identical. The greatest differences in the two programs are in the ways in which income and resources are treated. The consequence of having two eligibility determinations is that it increases paperwork and virtually doubles the amount of time it takes the typical eligibility worker to provide service. The Omnibus Reconciliation Act makes several important modifications to the AFDC income disregards which better target benefits to the needy and which appear to no longer make it beneficial to retain separate eligibility criteria for AFDC families who are also found eligible for food stamps.

Specifically, the Reconciliation Act restricts eligibility for AFDC families with earnings by: (1) basing the $30 and one-third work incentive on net, rather than gross, earnings; (2) making the incentive available for only four months; and (3) comparing gross income with 150 percent of the applicable state standard of need. The combination of these changes, we estimate, will reduce the number of AFDC cases with earnings by 30 percent. Moreover, the AFDC resources test now sets the maximum of countable assets at $1,000 while the food stamp test remains at $1,500. These changes better target AFDC to the needy and we believe that by making the AFDC group categorically eligible for food stamps it would enhance that objective.

Not only would such a change enhance a national objective, it would also enable Michigan to target its scarce personnel resources to those most in need. For example, the maintenance of what amounts to two case records could be eliminated and the differences in the two programs in the treatment of assets and what constitutes gross income could be largely ignored. Exhibit C to this statement explains in greater detail how this proposal will operate.

B. Liquid Resources Test for Expedited Service

We are recommending that Section 11(e)(9) be modified so as to include a liquid resources test for households requesting expedited service. Currently, a household can assert that it has no income and no expectation of any income over the next month and be eligible to receive their benefits within two days. In such instances full verification of eligibility factors is postponed until furnished by the household for certification to a normal period. It may be appropriate for Congress to include a minimal liquid resources test in order to reduce the potential for program abuse.

C. Strengthened Fraud Penalties

Section 6(b)(1). Although this section was modified to provide that no household shall receive increased benefits due to the disqualification of a member found guilty of fraud, the penalty is still not understandable or significant enough to act as a strong deterrent to prevent fraud. The method used to determine the household's benefits while a member is disqualified results in such a minor penalty that the administrative cost of budgeting usually exceeds the penalty.

EXHIBIT C

The procedure would work as follows: The client would provide information on all income and assets. The eligibility worker would compile the relevant need standard for the family and compare gross income applicable to AFDC need standard for the family and compare gross income applicable to AFDC against 150 percent of that need standard. If the applicant's gross income did not exceed the limit, the worker would then consider all countable assets to see if the equity value of those assets was below the limit of $1,000 for AFDC purposes. Once the client was determined eligible for the AFDC program, he or she would be automatically eligible for food stamp benefits. A separate budget computation would take place for the two programs, thereby ensuring that no income relevant to the Food Stamp Program but not the AFDC program (e.g., Work Study Income) would be overlooked. In most situations, however, gross earned income would be identical for the two programs, and with the nearly identical work expenses disregard for AFDC and food stamps, a single worksheet could be designed for AFDC/food stamp cases.

Any case that does not meet all the requirements for AFDC eligibility would be denied eligibility for that program and go through a regular food stamp eligibility determination. Food stamp-only cases are normally handled by caseworkers other than those who handle AFDC cases, so differences between the two programs at this point are not as problematic. Since the overwhelming majority of Michigan's AFDC cases have food stamps, the major benefit of this streamlined process is the amount of time saved by the caseworker at intake and at eligibility redetermination. The time saved by categorical eligibility's single determination could be spent on more thorough investigations of eligibility.

While a system such as this would mean that food stamp cases have two sets of eligibility criteria, no case would be disadvantaged over the current system. Once an AFDC eligibility determination is completed, the regular food stamp coupon allotment computation would be made, resulting in no change to total benefits for the recipients. In the unlikely event that a case meets the AFDC eligibility criteria and would not qualify for food stamps due to the 130 percent Poverty Level Test (an example would be a small family buying a relatively expensive home and having gross income very close to the AFDC limit), expiration of the income incentive after four months would likely close the AFDC case. The family would then be ineligible for both programs. It is expected that there will be little or no increase in Food Stamp Program costs from this policy change. In fact, some administrative savings should be realized.

Therefore, we suggest that this section be modified to specify the following penalty.

In addition to the individualized incremental disqualification period penalties, the household's allotment will be calculated as if the disqualified person were a member, and the disqualified person's prorata share of the allotment will be withheld for the duration of the disqualification period.

This will result in a greater penalty than that in current use, thus creating both a deterrent to fraud and a greater appreciation on the part of the public that fraud is indeed being penalized.

D. Simplified Procedures for the Collections of Claims

Section 13(b) (regarding collection of claims). The State of Michigan is presently working on development of an on-line (computerized) claim tracking and accounting system. The current regulations developed from this section prescribe such a complicated collection and accounting system that they interfere with the States' ability to properly administer this section of the law. Therefore, we recommend that this section be rewritten to make clear that the intent is to collect on these claims and not to develop overcomplicated accounting systems. (FNS has developed a simpler accounting form; however, further reform is necessary.)

The law should make clear that allotment reduction must occur in both fraud and client error cases if the household refuses to choose a repayment plan within 30 days of the demand letter even if no agreement to repay exists. The law should specify that allotment reduction will be 25% of the allotment or $10 whichever is greater.

Michigan is also utilizing a system to obtain reimbursement by crediting a household's state income tax refund if the case is closed and a formal reimbursement agreement exists. This section might also permit interception of the household's federal income tax refund. Further, there should be no necessity for a formal repay agreement if there has been a finding of fraud.

E. Provide Waiver Authority To Make Periodic Reporting Compatible With AFDC

Under the provisions related to retrospective accounting, Congress has already granted the Secretary the authority to waive provisions of that subsection so as to make them compatible with AFDC. All we are proposing is that similar waiver authority be granted so that periodic reporting for the two programs can be the same.

The specific language is suggested below:

Amendment

Amend Section 6(c) of the Food Stamp Act of 1977 by adding as a new paragraph (5) the following:

> "The Secretary is authorized, upon the request of a state agency, to waive any provisions of this subsection to the extent necessary to permit the state agency to establish periodic reporting requirements for the purposes of this Act identical to the periodic reporting requirements established pursuant to Title IV-A of the Social Security Act in that state."

Statement of Jean Field, Welfare Officer, Nashua, N.H.

On January 7, 1981, Nashua's Workfare Demonstration Project began operations. It was initiated by the City Welfare Department Director, Jean Field, at the request of Mayor Maurice Arel. The Administration and the job component function are conducted by the City Welfare Department with one full time employee hired expressly for the project, supervised by the Welfare Officer. One of the 12 district offices of the New Hampshire Division of Welfare is located in Nashua serving 13 communities. This office administers the food stamp program, referring Nashua residents to the Workfare Project. There are 700 households in Nashua presently receiving food stamps.

The Nashua project has two unique features that have proven valuable. The primary focus and goal is private employment with work for food stamps as a last resort. After interview, the food stamp recipient receives a number of referrals to private employers who are hiring. Our experience indicates without doubt that 65% find private employment who no longer receive food stamps. In the 15 months of operation, earlier referrals have not returned to the Workfare Project, indicating permanent employment.

Secondly, the Nashua Project co-houses the one Workfare staff person in the City Welfare Department office 75% of the time and in the food stamp office 25% of the time. This has cemented relations, prevented errors, provided easy communcation and insured cooperation.

BACKGROUND

Nashua is the second largest city in New Hampshire with a population of 70,000. It is located in southeastern New Hampshire on the Massachusetts border, 50 miles from Boston. Income and employment are derived from a wide variety of businesses and industry—texile and shoe manufacturing, plastics, electronics, technical and scientific companies and a multitude of small businesses. The unemployment rate is low, 4.5%, and job opportunities at all levels are fairly good. Neighboring large apple orchards import reliable labor from Jamaica.

GENERAL ASSISTANCE/WORK PROGRAM

Under New Hampshire State Statutes, all local communities have welfare officers to administer General Assistance from local property tax dollars. They provide necessities to those who are "poor and unable to maintain themselves" without regard to categories of age, disability or marital status. It is the local safety net for anyone who does not qualify for federal/state categorical aid programs.

The Nashua City Welfare Department operates two work programs, one for general assistance recipients and the Workfare Program for work eligible food stamp recipients. Similarities between the two work programs made Workfare a natural and easy program to initiate and administer.

The objectives and benefits of the General Assistance program proved true with the Workfare project. Both programs:

1. Provide work experience and training.
2. Provide a return that is helpful to the public and nonprofit sector.
3. Divert the work eligible to private employment, reducing participation in public assistance.
4. Separate needs from wants.

It is significant that only 3% to 10% of all recipients actually participate in either work program, and that a number of participants voluntarily continue to work for human service agencies after they return to employment. (See attachments No. 1 and No. 22)

BENEFITS

Workfare was a positive method of providing food stamp recipients with alternatives. After the 30-day job search through the Department of Employment Security, food stamp recipients referred to this office were scheduled for an interview and after an assessment of their skills, experience and education they were given a list of job openings in private employment. For each job application and interview completed, the recipient was credited with one and a quarter hours toward his work obligation. This job search was welcomed by the recipients as an added benefit. Food stamp recipients expressed a strong preference to work for money rather than to work for food stamps. This acted as a motivating factor in their seeking and obtaining employment. Given the impetus of working for food stamps and the direction this office provided in finding employment, recipients found their own jobs very quickly. This has been consistently true from the beginning of the program.

In addition, this demonstration project provided some sites for appropriate recipients that provided training for future jobs—laboratory aide, library aide, receptionists and clerical workers. We were able to find funding sources for peripheral benefits to help people who needed their high school equivalency or had some skills and required further training. Transportation was provided by a non-profit agency, the only public transportation in the city. The cost for the transportation was provided by the project.

PARTICIPANT PROFILE

Based on statistics, the Workfare participant in the Nashua Demonstration Project is male, single, age 27, has completed 11th grade, has been unemployed 4 months, received food stamps of $70.00 per month for 5½ months at some time prior to referral, remained on food stamps one month after referral.

COST EFFECTIVENESS

Preliminary statistics appear inconclusive and require more data and analysis. I question whether it will ever be possible to determine on the basis of statistics that Workfare is or is not effective and efficient.

Our experience and local statistics demonstrate that the Nashua, New Hampshire Workfare II demonstration project was cost effective as an isolated functioning unit. The cost of operating the program for one year was $23,000.00. Without counting savings in food stamps not issued, the dollar value of work performed ($4,188.00), food stamps sanctions applied ($4,200.00), and sanctions to be applied ($3,000.00) offset 50% of that cost. Roughly counting the amount of food stamps not issued at $70.00 (One month allotment) per person whom we know left the food stamp rolls because of our efforts, the cost per participant is offset by the savings per participant.

RECOMMENDATIONS/NEW REGULATIONS

Recent legislation improved all the regulations that were troublesome in the Workfare Demonstration Projects.

On the negative side, under the new regulations each participant will be entitled to a reimbursement of up to $25.00 per month for necessary, work related expenses. This addition to workfare regulations will mitigate against Workfare acceptance by local sub-divisions of government because the cost could be prohibitive. Since no regularly employed person receives this benefit, we seem to be giving preferential treatment in providing it to food stamp recipients. Clients in the Nashua project had no work-related costs. Job site and participant were matched geographically, with consideration for preference, skills, other obligations and free time. Participants have no pre-school children and are excused for any legitimate family need. Transportation was provided when required at a total cost of less than $10.00 for the year of operation. On the other hand, participants magnify costs. With the $25.00 monthly stipend in the regulation, even a short walk could be reason to claim transportation provided by a neighbor.

The "cure" proposed in the new regulations would allow sanctioned food stamp households to remedy their non-performance at any time within the two-month disqualification period. This is also preferential treatment. Since those of us who operate workfare programs bend over backwards to give a participant every opportunity to be scheduled at times that are not in conflict with any of his affairs, and since we assign people on the basis of their skills and inclination, providing choices whenever possible, and since every effort is made to help the person comply before any sanction is imposed, the "cure" will be a way out of responsibility for the client and an administrative nightmare for the projects and food stamp offices.

SUGGESTIONS FOR CHANGE

Credit food stamp administration and/or Workfare Projects with a small percentage of the savings on food stamps not issued because of sanctions. This will encourage both groups to greater participation in work programs by offsetting the costs incurred to local governments.

Drop all work programs and change the regulations to permit the work eligible to receive food stamps for a specific maximum period while they are seeking employment. Alternatively, food stamps could be issued in the same time frame as unemployment compensation benefits in areas where there is high unemployment.

ATTACHMENT 1—Work Sites and Job Descriptions

Nashua Recreation Department: Heat transfer machine operator.
Nashua Public Health Department: Play area monitor, maintenace worker.
Seniors Drop-In Center: Receptionist, clerk, skit organizer, newsletter preparation, janitorial.
Nashua Girls Club: Clerical assistant, recreation worker, custodian.
Nashua Children's Association: Carpenter, house keeper, maintenance.
Nashua School Department: Library aide, playground monitor, janitorial.
New Hampshire Vo-Technical College: Receptionist.
Nashua Public Library: Maintenance.
Environmental Health Department: Laboratory aide.
Peoples Retreat: Program aide.
Nashua Soup Kitchen: Kitchen worker, maintenance.
Nashua City Welfare: Clerical.
Nashua Youth Council: Night watchman, secretary, janitorial.
Woodlawn cemetery: Grounds keeper.
Community services: Secretary.

ATTACHMENT 2—ONE YEAR STATISTICS, JANUARY 7, 1981 TO JANUARY 7, 1982

	Number	Percent
Referred	500	100
Interviewed	150	30
Worked at all	90	18
Completed assignment	45	9
No longer on food stamps	300	60
No longer on work fare	400	80
Open food stamp/no work fare	100	200
Closed because of employment	260	[1] 64

[1] Of terminations.

STATEMENT OF GORDON L. BERLIN, PROGRAM OFFICER

Thank you.

I appreciate this opportunity to assist the Committee in its review of Workfare Programs as a means of reducing the need for Food Stamp benefits and for insuring that able recipients satisfy their work requirement obligations. As a relatively recent employee of the Ford Foundation my remarks today do not necessarily reflect the views and experiences of The Foundation in its efforts to address the problems of rural and urban poverty. Instead my testimony is based upon my prior experience in the design of various work requirement research and demonstration projects for the Federal Work Incentive Program, including a workfare experiment in Massachusetts and a review of General Assistance and Aid to Families with Dependent Children Workfare Programs.

As the Committee members are aware, Workfare is not a new concept. It has been an integral component of some General Assistance Programs for more than twenty years and it has been tested in one form or another for AFDC populations in California, Utah and Massachusetts, and more recently on a demonstration basis in the Food Stamp Program itself. A careful review of these experiences, especially the decades of GA Workfare, can provide invaluable guidance in determining the role for Workfare Programs in our income transfer system. While this review will not always offer clear cut yes and no answers to the critical issues which confront us, it can suggest areas where problems are likely to arise. We should not let the equivocal nature of research, which is a function of the complexity of the social problems, generally characterized by multiple symptoms and multiple causes, deter us from attempting to learn from our past experiences. Much of what I have to say is based upon my own perception of these experiences and I would encourage the Committee to conduct its own review.

The first step in considering the role for Workfare in the Food Stamp Program is to decide on the objectives of the program. Broadly stated, the objectives of a Workfare Program are a reduction in FS caseloads and FS costs by encouraging private sector work as an alternative to FS benefit receipt. Workfare programs attempt to achieve these objectives in three ways. First, Workfare Programs are expected to have a significant and continuing deterrent effect on applications to welfare because individuals faced with a forced work requirement will either look harder for private sector work or won't apply because they are already working. Secondly, Workfare is supported as a means of providing recent work experience to unemployed individuals enabling them to obtain a work history which will lead to private sector employment. Lastly, it is argued that the community receives some useful service as a result of the work performed by these income transfer recipients.

These first two objectives raise the philosophical question which has plagued work requirement program planners from the beginning. What is the most equitable and cost efficient balance between the assistance many income transfer recipients require if they are going to obtain jobs with sufficient salaries to permit them to leave the welfare or FS rolls versus the coercion which is necessary to insure that only those really eligible and in need of assistance receive it? Posing the issue as a need for balance between assistance and coercion also raises the short term versus the long term dimensions of the problem of dependence. The choice of services provided and the associated level of resources will determine whether it is realistic to saddle these programs with the goal of helping people become self sufficient. Unfortunately, work requirements and especially Workfare arouse so much emotional response and acrimony in which one objective is advocated over the other that the critical need for a balanced approach gets lost in the debate.

As the Committee reviews past and present Workfare efforts for evidence that Workfare has a deterrent effect, provides useful work experience and produces community services, there are some critical distinctions which should be kept in mind. First, it is important to distinguish between programs serving general assistance populations, programs for AFDC recipients and programs for FS recipients. The demographic, education and work history characteristics of recipients in each of these transfer programs is different. GA recipients are generally single males and childless couples between the ages of 18 and 25. AFDC recipients are overwhelmingly female headed families in which the average age of an individual recipient is 8 years old. Food Stamp work requirement eligible recipients are more likely to be males with an average age of 29 and somewhat higher education levels.

Each of the groups have different average spells on the rolls and thus different rates of turnover, that is, the rate at which recipients leave the welfare or FS rolls. The important point being that welfare receipt like poverty is not a permanent, static condition but is instead a fluid condition in which people are continuously moving on and off the rolls. Some stay for relatively short periods because of a bout of bad luck, such as a job loss or marriage break up, while others are on and off the rolls, mixing low wage work with welfare receipt and still others are on for relatively longer average periods of duration. The FS population has the highest turnover of any of the three groups we are discussing. Estimates for the workfare eligible population participating in the FS demonstration projects indicate that over 50 percent of the population will leave the rolls within three months whether there is a workfare program in place or not. The existence of this substantial natural turnover raises some key questions for the Committee's consideration.

1. What can we do to facilitate, even speed up this natural movement off of the rolls? The majority of FS recipients are already looking for work and most will be finding jobs quickly. In considering a role for workfare or any other work requirement program, it is important that the program not interfere with this movement by creating an obstacle to the ongoing process of job search and job finding, thus inadvertently extending the average duration on the rolls.

2. Given the administrative costs of job development, hours calculation, slot assignment and monitoring, the Committee may wish to consider how best to target a FS workfare program. Otherwise street level staff responsible for the operation of the program may find themselves arranging jobs for people who may no longer be on the rolls once the work assignment is ready.

3. The turnover phenomenon also raises questions about the usefulness of simple program operations data, unless it is accompanied by relevant comparison or control data. Understanding the real effect of a workfare program necessitates that we distinguish between those reductions in caseloads which are attributable to the workfare program versus those which are due to labor market changes and the related ongoing movement of welfare recipients. For example, the fact that there is better than a 50% turnover rate in the FS program indicates that a workfare program would have to yield placement rates substantially above 50% to be cost effective.

Returning for a minute to the central objective of reducing FS caseloads and costs it is necessary to move beyond the writing of national legislation to the likely impact of that legislation at the local level. The administrative complexity of establishing and running a workfare program may result in the means replacing the end.

Program operators can get so caught up in the day to day operation that they lose sight of the longer range goal of helping people get off the rolis through private sector placement. This lack of private sector transition was one of the problems with public service employment.

A second distinction to make when considering existing workfare programs is whether the effort was mandated on a statewide basis or in a limited county or city jurisdiction and whether it was rural or urban in nature. A cursory review of workfare programs for GA recipients suggests that the best examples of workfare tend to be locally initiated and supported, frequently rural in nature and serving smaller numbers of clients. A 1978 review of GA workfare programs prepared by the National Association of Counties suggests some large cities were unable to develop sufficient jobs for their employable GA caseload. In New York City less than 20% of all employable GA recipients were assigned to work relief sites, while in Jackson, Mississippi better than 80% of employable GA recipients were assigned to sites.

Our experiences with statewide workfare programs for AFDC recipients have also been mixed. In 1979 the State of Massachusetts utilized the 13 week work experience authority of the WIN program to operate a workfare program for long term unemployed fathers. It was a multi-faceted effort to reduce the size of the unassigned recipient pool, including screening of registrants to reassess their needs, the referral to other CETA or WIN services if appropriate and the assignment of those found suitable to a work experience program. The program had an experimental design which included random assignment, permitting an answer to the question, "what would have happened without the program?" Unfortunately, the program was never adequately implemented despite the attention, interest and mandate of the Governor. Over 2,800 individuals were originally expected to be appropriate for the program, but only 1,033 were finally determined appropriate; and, after random assignment to control samples reduced this pool to 754, only 256 men ever appeared at a worksite for at least one day. Whole regions of the State failed to adequately implement the program. It was also plagued by court injunctions, welfare rights and union opposition, insufficient slots and internal agency noncompliance by many who either passively resisted running the program or simply didn't have the resources and time because of competing program assignments. In some ways, the program appeared to be more difficult to administer than originally thought. Particularly, the costs of administering a program which required determination of an individual's ability to participate, monitoring of attendance over an indefinite period of time, development of suitable work sites, arrangement of adequate childcare, and the need for sanctioning and adjudication procedures meeting the requirements of due process. After carefully examining changes in caseloads over the program's operation, the researchers concluded that the program had no discernable impact on reductions in welfare caseloads or costs. More importantly, 57% of the control group who were not subject to workfare, found jobs anyway. A successful work requirement program would have to do better than that. Yet most program operators will tell you that a 57% placement rate is a phenomenal success. A review of the available literature suggests that similar implementation problems also plagued California. In contrast to the California and Massachusetts experiences, program reviews of the Utah WEAT program, an ongoing workfare program for ADFC recipients, provides an example of a statewide workfare program that has operated fairly smoothly; still little is known of the actual impact of the program as a caseload deterrent. Additionally, Utah is closely coordinated with the WIN program, serving as a last resort for WIN unassigned recipients who have not succeeded in other services. It also places a strong emphasis on employability development, thus its name, Work Experience and Training. The program operates in a unique state and has not faced strong welfare rights organization opposition. It concentrates primarily on males because the female child care costs would be prohibitive. With its close coordination to other programs, Utah WEAT is operated as one type of work component in a range of employment and training services. In fact, recent changes to the program emphasize a joint effect by WEAT, Vocational Rehabilitation, the ES/WIN and the Social Services Agency to address the long term employability development needs of recipients.

The results from the FS demonstration programs authorized in 1977 will provide another source of important information on workfare. The participating sites in these projects volunteered and with the exception of San Diego all were rural. Because the sample isn't representative of the rest of the United States, the findings should be considered within the context of available workfare information. Program operators whom I have spoken with are proud of the way the projects have run, but many seem to believe that they need more money to adequately continue these programs. They also were unsure of the actual effects of the program on caseloads and job taking beyond the turnover which would have occurred anyway. Preliminary findings will apparently show that the experience has been mixed, showing modest positive effects on women's earnings and negative effects on men. If these are correct interpretations then they reinforce previous data showing that:

1. Workfare is best implemented when it is locally instituted and locally supported.
2. Workfare may have positive short term effects but doesn't address the longer term concern for self-sufficiency.

A third distinction to be made when reviewing previous workfare experiences is the character and range of employability services and work sites which comprise the various programs. A 1978 Department of Labor review of GA workfare found a striking amount of diversity in program content. Workfare ranged from punitive make work examples in which participants spent most of their time waiting for assignments, to combination work experience and education programs designed to increase employability and address the longer term self-sufficiency issues presented by the revolving door of work and welfare. In Kent County, Michigan, a work assignment could include 25 hours per week of adult education, work experience and on-the-job training, some college courses or 15 hours per week in a job search training program.

Because of this diversity, both proponents and opponents of workfare should not jump to conclusions about what workfare will really mean at the local level. It is interesting to note that when workfare was illegal for AFDC recipients, over twenty states applied to HHS for 1115 waivers permitting them to run workfare programs. Now that workfare is permitted, many states are requesting 1115 waivers to permit them to fund broader based programs. If workfare is to be successful, it is important that we respect program administrators' decisions on program content because those decisions are shaped by the economic, political and demographic realities they operate within. We can do this best by providing them with resources, flexibility and options.

The fourth major suggestion to the Committee is that it set any discussions of workfare within the historical context of previous FS work requirement legislation. The Congress established FS work requirements in 1971 and then sought to strengthen them in 1977 and again in 1981. The problem in 1971 and as far as I know continuing into 1981 is that registration for work is a "paper registration" involving the transfer of an ES-511 form from the FS caseworker to the employment service office where they are filed. All of this is accomplished without the personal appearance of the person being registered. As a result many of the FS work registrants neither realize they are registered with the ES nor do they understand their work requirement obligations. As one might imagine, without a personal appearance an ES counselor is unlikely to search for jobs for people they have never seen. A major obstacle in implementing a real work registration program has been the lack of adequate resource transfers from Agriculture to Labor. In 1982 $65 million was appropriated for work registration of 2 million FS recipients, or $32 per person.

We may be moving to workfare without satisfactorily testing other work programs which might be more effective in providing the necessary balance between coercion and assistance that is needed. DOL experience with job finding clubs, other job search programs, on-the-job training, limited thirteen week work experience funding slots and supported work all suggest that there are additions to workfare with might enhance the effectiveness of our work requirement efforts.

If cost constraints continue to preclude more expensive investments in employability development, then front end job search programs similar to those pioneered in the Work Incentive Program may provide a cost effective FS work requirement approach. Recipients participate daily in an organized job search program which teaches the skills of application and resume writing, interviewing, job lead development, telephone canvassing and persistence which are necessary components of job search. The daily participation requirement effectively identifys individuals who are unable or unwilling to look for work. Exemption or sanction procedures can then be initiated. Organized job search facilitates the natural movement of FS and other transfer program recipients into private sector jobs. The rapid turnover in the FS program suggests that job search programs could have a valuable role to play.

In summary, workfare is an important program tool among many tools which work requirement program administrators need to do their job. It is a difficult, time consuming, resource intensive, "roll up your sleeves", kind of job. To do it well, we have to set realistic objectives and provide the resources and flexibility which will give work requirement programs a chance to strike that critical balance between assistance and coercion.

Statement of Chet Dixon, Director, Human Resources Department, City of Springfield, Mo.

The Food Stamp Demonstration Project is intended to test the feasibility and estimate the impact of food stamp recipients working in return for their food stamp benefits. The Food Stamp Act of 1977 authorized the United States Department of Agriculture (USDA) and the United States Department of Labor (DOL) to test this work-for-benefit concept in the Food Stamp Program.

The test of Workfare was mandated primarily because of fiscal concerns. The recipient rolls, since the Food Stamp Program's implementation in 1964, had been rapidly increasing. The Food Stamp Act of 1977 contained many provisions, along with Workfare, that were attempts to curb the skyrocketing costs of the program. The fiscal concerns, along with the prevailing moral attitude in the minds of legislators and the public to reinforce the work ethic, resulted in Workfare.

Under the provisions of Workfare, certain able-bodied food stamp recipients must work each month at public service jobs in return for the household's food stamp allotment.

The following information provides a variety of statistics regarding the Springfield-Greene County Workfare experience. We hope you find it useful during your deliberations.

RESULTS AND THOUGHTS ON WORKFARE

Purpose

Our primary purpose was to create a program that could successfully get food stamp recipients to work for the value of the stamps they receive. We were interested in how effectively we could develop worksites, agency linkages, and staff capability. Secondary purposes include the following:

Provide work experience for the seldom-employed.

Encourage/motivate successful job-seeking activity.

Increase community public services by utilizing unemployed or underemployed food stamp work recipients in public service jobs.

Allow the individual dignity in earning what he/she receives in benefits.

Allow observation or abilities leading to further job/training opportunities.

Costs

End of February, 1982, data:

Federal dollars expended	$85,649
In-kind services (primarily worksite supervision)	78,361
Total	164,010
Project-to-date value of hours worked (64,204 hours × $3.35 per hour)	215,083

Numbers

Assigned to the project to date: 2,838.

Worked in the project to date (68%): 1,936.

Primary outcomes

68% of persons assigned, worked.

64,204 Man-hours of work performed ($215,083).

An 18% Reduction in food stamp households during the past year. (More than 900 househoulds were affected, either reduced or terminated.)

Of those 32% not working, the reasons vary greatly and many received sanctions. This is not a large number when the records are checked closely as to the reasons for nonparticipation; many reasons are positive or justifiable.

Additional outcomes

Participant benefits.—Develop work history; exposure to the world of work; motivational and job information benefits; and learning job-seeking skills.

Community benefits.—Community services not attained otherwise, because of budget cuts.

Taxpayer benefits.—Shows tangible use of the tax dollar spent.

Family benefits.—Work identification for child and spouse; also self-worth.

WORKFARE STATISTICAL REPORT, FEBRUARY 1982

Action	Participants		Hours		Monetary value[1]
	Number	Percent	Number	Percent	
Monthly data:					
Assigned	285	....	10,557	....	$35,365.95
Worked	197	69	5,838	55	19,557.30
Assigned did not work	88	31	4,719	45	15,808.65
Year to date data:					
Assigned	538	....	19,514	....	65,371.90
Worked	372	69	11,391	58	38,159.85
Assigned did not work	166	31	8,123	42	27,212.05
Project to date data:					
Assigned	2,838	....	108,483	....	363,418.05
Worked	1,936	68	64,204	59	215,083.43
Assigned did not work	947	32	44,279	41	148,334.65

[1] At $3.35 per hour.

Attachment.—Questions and Answers

I. *Has it worked and why?* Yes, because:

The Department has a policy of not accepting a program unless excellence is the goal.

There is strong support from Community and Political Jurisdictions (City of Springfield and Greene County).

Attempts are made to work with the entire family when necessary to alleviate barriers to them working.

There is a good working relationship between the Food Stamp Office and the Workfare Program.

Supportive services of various kinds are provided.

A wide variety of worksites are available allowing Workfare to assign participants according to their skills and interests.

The staff is experienced in working with the disadvantaged.

The Department of Human Resources has a positive attitude toward testing new ideas.

Workfare helps bridge the staffing gaps created by recent budget cuts of many non-profit ogranizations.

The staff do not take "no" very easily and continually follow up on problems identified.

Worksites are carefully maintained to keep them meaningful.

Workfare participants are referred to CETA training and job-seeking services when possible.

II. *Will it work elsewhere and why?* Yes, because:

Program design may be modified to fit demographic situations to give it "human scale" and "localization". A large area with a highly transient population or an extremely Rural Area with limited worksites and large distances to travel would have to develop certain strategies. The sense of community or neighborhood is extremely important. A participant who sees the tangible benefit of his/her work within their own community contributes to a sense of self-worth.

III. *Where will it not work and why?*

Program design may need to be modified to fit different situations. In addition, the purpose and concept must be well defined. Reasons why it may not work could be the relationship between: Political climates, attitudes, tasks and worksites, workers, and linkages.

IV. *General public views? Organized groups?*

For: Tangible benefits in terms of the exchange of public service employment for taxpayers dollars. Seeing their money put to good use. Many food stamp recipients want to work but haven't had the opportunity.

Against: No job training. Make-work that doesn't lead to employment.

V. *Does it help people? Hurt them?*

See primary and secondary outcome

VI. *What does the client think about it?*

Of those we see, the majority appreciate the opportunity to work. Even those who are initially resentful can be turned around.

Some who resist say it is "Communistic", unconstitutional.

Some feel positive and see it as an opportunity.

VII. *Opposition groups*?

A few organizations who have stated opposition are: Missouri Association for Social Welfare, League of Women Voters, St. Louis Coalition for Sensible and Human Solutions, Social Concerns Committee of the Springfield-Cape Girardeau Diocese, and Northeast Missouri Council for Human Needs.

VIII. Problems?

Participant Transportation. Greene County is a large area and there is a lack of public transportation in the area outside the City. Transportation can be costly if the participants do not have automobiles available to them due to the large distances they might have to travel. Therefore, we have developed a large number of worksites to try to make up for this difficulty. Worksite alternatives may not always be present in some cases.

Staffing. Due to the small project staff and the difficulty in funding which we have experienced, it is difficult to provide continuity and have sufficient backup should a staff member become ill.

30-Day Job Search. Currently, new referrals to the Workfare Program are given thirty (30) days to seek employment before being assigned to a Workfare job. The basic problem with this job search period is that in many cases, households are approved to receive food stamp benefits for only short periods of time, one or two months. The short certification periods are appropriate for determining food stamp benefits when there is a good chance that a household's circumstances may change, therefore, eliminating the need for assistance. However, combined with short certification periods, the thirty day job search period can allow some participants to receive food stamp benefits two months before being interviewed and assigned to a Workfare job. Also, food stamp certification often expires before participant can be interviewed and assigned.

Sanctions. The maximum sanction now possible for not completing a Workfare job obligation is excluding the non-complying individual from calculation of household benefits every other month. This is the most that can be done even if the individual refuses to satisfy any part of the work obligation. The remaining household members will continue to receive benefits. The sanctioned person is automatically reinstated in the Food Stamp Program after being sanctioned for one month. We feel that these sanctions are not effective and create an administrative burden.

IX. Policy implications?

Concept:

A. Policymakers must first, consider how broad or narrow the purpose of Workfare is to be. When a purpose or goal is too narrow, many benefits are lost if the evaluation parameters are also narrow and criticisms can become stronger. A more open-ended evaluation would indentify a broader range of benefits that need to be discussed. The bureaucracy will be evaluating the Workfare Program from their own perspective, so the purpose must be clear to all involved. As an example, we were involved in the Workfare Demonstration Project to test the concept of participants working for the value of their food stamps. Policymakers are now evaluating us on different criteria and asking for data which we did not collect.

B. Policymakers should be very clear on why they want Workfare. Is it to punish, teach, train, provide extra staff services for agencies, cheap labor, fight poverty, or a link to enhance the network of employment and training services for our Nation's poor and unemployed? At this time, we observe a mixed set of feelings.

Process: Policymakers should be made aware that the process is complicated; it is not a simplistic assignment of a participant to a worksite.

Outcomes and impact: Again, the purpose must be well-defined in order to correctly evaluate the benefits or outcomes. See Primary and Secondary Outcomes.

Successful practices:

1. *Utilization of Community Resources—*

A. Interns from the Social Work Department of Southwest Missouri State University: Interns were juniors and seniors with social work majors. Students are assigned Workfare participants whom they interview, assess, assign, and refer for services when need is indicated.

B. Community Action Work Experience Participants: Participants with clerical skills address envelopes, file, maintain participant card file, and perform various other clerical duties as assigned.

C. COE (Cooperative Occupational Education) High School Student (CETA-funded): Students work 20 hours per week while attending high school. The student has clerical skills and performs clerical tasks as assigned.

D. Established Participant Referral System to CETA for Program and/or Job Seekers Clinic Enrollment.

E. Springfield-Greene County Health Department provides free TB Tine Tests for participants requiring this test prior to placement, (i.e., Day Care Centers) as well as physical examination and treatment as indicated.

F. Variety and Volume of Worksites: The availability of 100-150 different job assignments has provided us the flexibility to make an appropriate match between participant interest, skills, and job assignment. The large volume of worksite locations has enabled us to overcome some of the problems caused by a lack of available transportation.

2. *Follow-up to Encourage Participation*—When participants fail to report for a scheduled appointment or work assignment, and if a telephone number is available, we use this method of communication to determine the cause for failure to report. This has proven successful for us in that a personal contact may resolve problems and often results in positive participation.

3. *A Deliberate Act to Provide a Friendly and Pleasant Office Atmosphere*—There is an offer of coffee to everyone and the entire staff is cordial and empathetic. A program of this kind needs to be operated on a personal scale. They should not be bureaucratic or routinized. Reasons are quite obvious when considering the emotionality of the project for the participant, the level of participant we are dealing with and that a negative attitude toward Workfare is often supported by many community members.

4. *Method of Worksite Assignment*—

A. The site and duties are agreed upon by both participant and the interviewer with the participant having the opportunity to select his/her own worksite. A concerted effort is made to find a location near the participant's residence and type of work compatible with the participant's skills.

B. The participant is also given as much flexibility as possible in selecting the time of the month the work will be performed. This helps in scheduling around part-time jobs, training, and job search activities.

C. The participant is always reminded that an obligation to work does exist and that "good cause" must be established to avoid sanction if the work is not completed. Typical examples of "good cause" are: illness, other work with wages, transportation problems, and household emergencies.

D. A copy of the worksite agreement is given to the participant and the information is explained to insure the participant understands his/her obligation.

5. *Relationship Between Workfare and Division of Family Services*—The Department of Human Resources and the Greene County Division of Family Services have for many years worked very closely in any project undertaken within the community. The enthusiasm and dedication on the part of the Division of Family Services along with the Workfare staff have made this project as successful as it appears to be.

6. *Relationship Between Workfare and Comprehensive Employment and Training Act*—The fact that the Workfare Program is linked with the Department of Human Resources, which administers the CETA program, goes one step further in meeting the need for a comprehensive delivery system for the provision of employment and training services within the community. These linkages are very necessary for the future in looking at the larger employment and training system nationwide and the philosophy of the present Administration.

Further Testing Of The Concept—With the inclusion of the AFDC recipient, further testing may be required to determine the degree of problems with scheduling; day care needs; little, if any work history; need for different worksites; and what problems may be encountered during the summer months when school is out.

X. Conclusion:

We have found the Workfare Demonstration program to be operationally feasible. We believe the concept can be applied to almost any area with adjustments to our design.

We also believe that policymakers should consider whether or not Workfare should be linked to the overall employment and training system. The fact that the Department of Human Resources has been the provider of employment and training services in the community has contributed to the ease of the Workfare Project in locating worksites. Historically, successful working relationships between the City of Springfield, Human Resources Department, the Greene County Division of Family Services and the Greene County Court have enhanced the effectiveness of the Workfare Demonstration Project.

STATEMENT OF CUSHING N. DOLBEARE, PRESIDENT, NATIONAL LOW INCOME HOUSING COALITION

As part of a set of sweeping proposals for curtailing federal low income housing assistance, the Administration has proposed that food stamps be counted as income for the purpose of computing rents paid by tenants in federally subsidized housing. Nor is this the only major rent increase proposed by the Administration. In addition, minimum rents are to be set to cover the actual cost of utilities.

The ultimate impact of these proposals will be to double or treble the rents paid by many very low income households. Moreover, they are highly regressive, with the highest absolute increases to be paid by the lowest income tenants. Under current law, the increases would have to be phased in, since rent increases because of such changes are limited to 10% annually. The Administration proposes to raise this cap to 20%.

The bulk of the Administration's housing proposals fall under the jurisdiction of the Banking Committee. The proposal to count food stamps as income requires amendment of the Food Stamp Act and thus falls under the jurisdiction of the Agriculture Committee. Before considering the specific impact of the proposal, it is important to look both at the context of low income housing needs and the status of efforts to deal with them.

This is, by almost any measure, a grim time for housing. New housing production is at its lowest levels in decades. Traditional forms of housing finance are stagnating, or worse. First time buyers can't find affordable housing. Unemployment of construction workers is approaching 20%. Given these problems and the outcry about them, it is all too easy to forget that the housing crisis for low income people—whose problems are most acute—is steadily worsening.

During the last decade, while the housing conditions of most Americans improved markedly, the housing situation of low income people was deteriorating. Low income people have not really shared in the general improvement in income—but their housing costs have risen far more rapidly than those for middle and upper income people. Displacement is a major problem—even from subsidized housing. Homelessness is increasing, and affecting families as well as single people. Although the rise in energy costs is decelerating, many low income people still cannot afford adequate heat. Unsubsidized private rental housing construction has dried up, and the Administration is in the process of attempting to retrieve subsidized units already in the pipeline.

This testimony will cover (1) the present housing situation of law income people, drawing on recently published Annual Housing Survey data for 1979 and 1980; (2) some of the major accomplishments of federally subsidized housing programs and the characteristics of people receiving housing subsidies; (3) the impact of counting food stamps as income on the rents of assisted housing tenants; and (4) the Administration's broader low income housing proposals and their impact on low income people.

THE HOUSING SITUATION OF LOW INCOME PEOPLE

The housing problems faced by low income people are multiple and varied. Historically, a major focus of housing concern has been on housing and neighborhood quality. Indeed, as recently as 1940, 45% of all occupied units in the United States were either dilapidated or lacked basic plumbing facilities. That figure has now fallen to well below 10%, with those units almost exclusively occupied by poor people.

As the incidence of substandard housing has declined, another major housing problem has arisen for low income people: affordability. Housing costs include not only the mortgage or rent, but also utilities, taxes, insurance, and maintenance (although some or all of the latter costs are typically included in rents). These operating costs, particularly utilities, have skyrocketed in recent years. All of us have felt the pinch of rising energy costs, but the impact has been worst for poor people.

The final major housing problem faced by low income people to a far greater degree than others is availability. Availability may be a problem either because the supply is inadequate or because of discrimination on the basis of race, income source, family composition or for other reasons.

People with special housing needs, such as handicapped or frail elderly people, large renter households, and migrant farmworkers, face special problems of availability.

So do blacks and other minorities, families with children—especially if there is only a single parent, and households with irregular or very low incomes.

Since 1949, when Congress adopted the national goal of "a decent home and a suitable living environment for every American family" there has been bipartisan support for efforts to deal with the acute housing problems of low income people. Meanwhile, several decades of economic prosperity have created very high housing standards and expectations for most Americans.

Between 1970 and 1979, according to Annual Housing Survey data, the number of occupied housing units increased by almost one quarter (24.9%). Almost two thirds (65.4%) of all households owned or were buying their own homes. The number of units lacking plumbing facilities, a traditional measure of housing quality, dropped by 46%. While average household size fell sharply (from 3.0 to 2.6 persons for owner-occupied units and from 2.3 to 2.0 persons for renter-occupied units), housing units increased slightly in size. The number of units with three or more bedrooms increased by one third. There were sharp increases in the number of elderly households, single-parent households (both male and female heads), and single-person households.

Unfortunately, the cost of housing has increased far more rapidly than household incomes. Between 1970 and 1980:

Median income for owners rose 104% (from $9700 to $19,800), while median value tripled (from $17,100 to $51,300).

Median renter income rose 66% (from $6,400 to $10,600), while median rents increased by 123% (from $108 to $241). In 1970, the median rent was 20.2% of median renter income; by 1980, median rent had increased to 28.9% of median renter income.

The income gap between owners and renters continued to grow. In 1970, median renter income was 65% of median owner income; by 1980, it had dropped to 53%. In 1980, there were more renters than owners at the very lowest income levels (below $7,000), while owners outnumbered renters by more than 10:1 in the top income brackets (above $50,000).

While housing costs rose generally, both the amount and the impact of the increase was greatest for low income households. For example, while the number of renter households with incomes below $3,000 per year dropped from 5.8 million to 2.9 million between 1970 and 1979, the number of units in the stock at rents they could afford dropped by 75%, from about 5 million to less than 1.5 million.

Thus, there is a wide and growing "housing gap" for very low income people. Even if all other things were perfect—which we know they are not, there are more than twice as many renter households with incomes below $3,000 as there are rental units available at 25% of their incomes. Even using a 30% rent-income ratio, there is a gap of more than 1.2 million units at the very botton of the income scale. (See chart.) [Note: The chart and all tables follow the body of the text.]

The impact of these changes in housing costs has been traumatic for renters at the bottom of the income scale. In 1970, there were 5.8 million renter households (24% of all renters) with household incomes below $3,000 per year. Their median rent was less than $85 per month. By 1980, the number of renter households in this bottom bracket had dropped to 2.7 million (still 10% of all renters), but their median rent was $179 per month.

In 1970, a family with an income of $3,000 who paid the median rent of $85 spent 34% of its income for shelter, and had $165 monthly left over for all other needs.

In 1980, a family with an income of $3,000 who paid the median rent of $179 spent 72% of its income for shelter and had only $71 left over for all other needs.

What are the characteristics of these 2.7 million renter households with such very low incomes and such high rent burdens?

49% were single individuals, but 51% were in households with two or more people, and 5% had five or more.

13% were married couples; 6% were male-headed households; and 27% were female-headed households. 27% had children of their own under 18, and 6% had three or more.

20% were single, elderly people; but 29% were single, nonelderly individuals.

52% had moved within the last year and 84% had moved within the last ten years.

19% lived in subsidized housing.

59% paid 60% or more of their income for rent. Only 4% paid less than 25%.

46% lived in housing built before 1939.

10% lived in units lacking plumbing facilities. 4% were overcrowded.

29% were black; 8% were of Hispanic origin.

20% lived in the northeast; 27% in north central states; 37% in the south and 16% in the west.

46% lived in central cities; 31% lived in nonmetropolitan areas.

All had incomes less than 75% of the poverty level.

These households are the poorest of the poor, but in 1980 they were less than one third of all households with incomes below the poverty level. There were also another 3.3 million renter households with incomes above $3,000, but still below the poverty level, and 4.9 million owner-occupants below the poverty level.

In other words, when we speak of low income housing needs, we are talking about millions of people: 29 million in all, including more than 11 million children (4 million of them under six) and 4 million elderly people.

SOME ACCOMPLISHMENTS OF LOW INCOME HOUSING PROGRAMS

1982 marks the 45th anniversary of the adoption of the U.S. Housing Act of 1937, which established the public housing program. In the ensuing decades, our subsidized housing inventory has risen to about 4.5 million units: 3.4 million through programs of the Department of Housing and Urban Development (HUD) and the rest in rural areas through the Farmers Home Administration (FmHA) of the Department of Agriculture. This is about double the number of units built by the private sector in a single good year.

Most subsidized housing assistance (about 70% of all units) has been given to renters, particularly through HUD programs. The Farmers Home Administration has placed more emphasis on home ownership programs. Table 1 gives current estimates on the number of occupied subsidized units. The table includes occupied units provided under all programs of HUD and FmHA.

Despite their inadequate scale, our low income housing efforts have made a critical difference to millions of low income households. While only 11% of all rental units are subsidized, almost three fifths (57%) of the units renting for less than $100 monthly are subsidized, as are one fifth (22%) of the units renting for $100-149. Perhaps more important, as Table 2 shows, subsidized housing provides shelter for almost one quarter of all very poor renter households (incomes below the poverty level). Almost one third (32.7%) of all very poor elderly renters live in assisted housing, as do comparable proportions of very poor black renters (33.1%) and female-headed renter households (31.2%). Very poor Hispanic households and white households are less well served: 17.7% of very poor Hispanic renters and 20.0% of very poor white renters are in subsidized housing. Finally, it should be noted that public housing serves poor renters in central cities better than those elsewhere: 29.4% of very poor renters in central cities live in subsidized housing, compared with 19.4% outside of metropolitan areas.

Perhaps the most reliable, relatively recent data on characteristics of households living in federally assisted housing appears in a recent Census Bureau report on "Characteristics of Households and Persons Receiving Noncash Benefits," containing data from the March 1980 Current Population Survey. The data, which include rental housing assisted under all programs, are summarized in Table 3.

The information belies some widely held assumptions about federally subsidized housing:

Almost three-fifths of the households are white.

Over one-third are elderly.

About two-fifths worked at least part of the time.

Half had household incomes below $5,000. One eighth had household incomes below $2,500.

Almost half had incomes below the poverty level and over three-fifths had incomes below 125% of the poverty level.

While only 15% of assisted households consisted of five or more persons, they were among the poorest. Two thirds of the five and six person households and three quarters of the households with seven or more persons had incomes below the poverty level.

THE IMPACT OF COUNTING FOOD STAMPS AS INCOME

In 1979, an estimated 922,850 households living in housing subsidized through the HUD Section 8 and public housing programs received food stamps. This is about half of the total number of households living in these subsidized units. About one third of the food stamp recipients in subsidized housing were elderly; just over half were nonelderly families headed by a woman.

Food stamp recipients are among the poorest low income housing residents. In 1979, 55% had incomes below $3,000 and another 30% had incomes between $3,000 and $5,000. Moreover, 83% of the households living in public housing or Section 8 with incomes below $3,000 received food stamps, as did 37.6% of residents with incomes between $3,000 and $5,000. The proportion of residents with incomes between

$5,000 and $10,000 who received food stamps dropped to 23.7%, while less than 0.1% of residents with incomes above $10,000 also received food stamps. (Source: Derived from information on characteristics of food stamp households in assisted housing contained in "The Impact of Including Housing Assistance as Income in Determining Food Stamp Eligibility and Benefits: Report to the Congress," Food and Nutrition Services, USDA; information on incomes of public housing and Section 8 tenants in 1979 HUD Statistical Yearbook; and information on occupied units in 1981 HUD Budget Summary.)

These facts are doubly significant because the impact of counting food stamps as income falls most heavily on people with the very lowest incomes. As Table 4 shows, both the absolute and relative increases are greatest for tenants with the very lowest incomes. Rents for elderly households with incomes below 10% of median would increase by 42%, and households in this income bracket would have only $70 monthly for all nonhousing expenses.

The impact on larger households in the bottom income bracket is even more startling: rents for households of three to six persons roughly triple, once the increases were fully phased in, and these households would have about $50 left each month for all of their nonhousing needs.

Both the absolute and relative rent increase for households living in assisted housing with incomes between 11-20% of median or 21-30% of median are lower, but the increases would still be substantial for households in the 11-20% of median bracket.

Still another perspective on the impact of the change is provided by a state-by-state analysis, shown in Table 5, of how rents would change for a mother on welfare, who did not work, with two children. In no state is the increase in rent less than 20%; in many states, rents would double, and in Mississippi they would almost quadruple. The biggest absolute and relative increases come in the states with the lowest welfare grants and would exacerbate the already great disparities in income.

Finally, we should note that many assisted housing tenants already are paying far more for rent than the theoretical program models assume. Although rents, including utilities, are supposedly limited to 25% of income, fully one quarter of the residents of assisted housing are paying more than one third of their incomes, when full utility costs are included. 13% are paying 60% or more of their incomes—compared to 16% of all unsubsidized tenants. If the Administration's proposal to set minimum rents to cover utility costs is adopted, the proportion of low income housing residents with very high cost burdens will rise sharply.

These proposals undermine the very purpose of federal housing assistance programs: to provide low income people with decent housing at affordable rents. Their impact, instead, will be to make unsubsidized housing unaffordable for people who need it most. The result will be that they will be forced to leave, and most of them will have no place to go.

THE ADMINISTRATION'S HOUSING PROPOSALS

Rent increases are only one aspect of the Administration's low income housing proposals. The 1983 budget also assumes that HUD, for the foreseeable future, will obtain its funding from recapture of already appropriated funds. This will be done through termination of projects now "in the pipeline," through demolition of some subsidized units, through substituting short-term contracts for long-term commitments, and through shifting emphasis almost entirely away from building or rehabilitating housing to provision of limited rent subsidies using the existing rental housing stock.

Last year, low income housing received the largest cut in budget authority of any federal program. This year, again, low income housing bears the brunt of the $56 billion in budget cuts proposed by President Reagan. Measured in "budget authority", or spending commitments, the 1983 budget provides $32 billion less than "current services", or the amount needed to maintain federal programs at their present levels. However, since there is a $30 billion increase above current services in budget authority for national defense, the total cut in all other programs is $62 billion.

$23 billion, or 37%, of this cut come from low income housing programs. This is by far the largest cut proposed for any activity of the federal government. In fact, it is almost $5 billion more than the combined total of all the other cuts in education, training, employment, social services, health (including Medicare and Medicaid), food stamps, welfare, and other income security, safety net programs.

Indeed, the 1983 increase in the military budget could be funded out of the 1982 and 1983 low income housing cuts alone.

In short, the Reagan Administration would reverse the slow progress we have been making in expanding low income housing programs and, instead, curtail the present level of assistance, particularly for new or rehabilitated assisted housing units. It would get rid of many existing subsidized units. And it would raise rents to the point where federally subsidized low income housing may cost more than unsubsidized housing.

If adopted by the Congress, the impact of the budget and legislative proposals would be disastrous for low income people.

Hundreds of thousands of low income units already approved for subsidy will never be built or rehabilitated, because the subsidy commitments will be withdrawn.

The Administration proposes cancellation of hundreds of thousands of commitments for new or rehabilitated housing units, already approved under the Section 8 and public housing programs. A net total 300,000 of the 700,000 units now "in the pipeline" would be lost forever. This loss comes at a time when the stock of affordable rental housing units is shrinking rapidly and almost one fifth of all construction workers are unemployed.

Rents for the 3 million families living in lower income housing would be sharply increased. The Administration will propose legislation to require tenants to pay their entire utility bills and to count food stamps as income. This could double or treble rents for many households. Moreover, all present deductions from income would be ended. Rent increases would be phased in over five years (the present 10% cap on rent increases would be raised to 20%). The impact of the food stamp change has already been described.

The proposal that tenants pay the full cost of their utilities is even worse, particularly in cold climates or older, poorly insulated projects, where utility bills average well over $100 per month.

Federal rent subsidies would be reduced by 15–20% in the Section 8 existing program and tenants would have to pay the extra costs out of their own pockets, along with the increased rents. It would be even harder for large households to find quarters.

This would be done under the "modified Section 8 existing program" by giving certificates that cover the difference between 30% of tenant income and a reduced fair market rent (about 15–20% below present levels because of changes in how it would be calculated). Tenants would then negotiate their own rents, paying less if they could find a place for less; paying the extra if they couldn't.

As proposed by the Administration, this constitutes a hidden rent increase for tenants being switched to the new program. I have queried a broad range of Section 8 housing administrators—attending two training conferences—on whether their clients could find housing in their communities at 80% of current fair market rents. No one though it would be possible.

Moreover, there is clear evidence, both from the Experimental Housing Allowance Program and the Section 8 existing program, that vouchers can meet only a part of the low income housing needs. They serve households, essentially, whose primary problem is affordability. But they do not provide shelter for households the private market is unwilling or unable to serve: large families, single-parent families, minority families. Even at present fair market rents, half of all households receiving Section 8 certificates are unable to find units within their alloted time period of sixty days. The proportion is far higher for minorities, female-headed households, and households now living in substandard housing.

There is no provision in this new voucher program to provide annual adjustments for rent increases. Expiring Section 8 existing contracts are to be converted to the new program.

Some public housing projects would have to close. Services and maintenance would have to be curtailed in those remaining open. Several thousand low income families living in public housing would be displaced because their homes would be demolished. The level of operating subsidies for public housing is simply inadequate to maintain it: about two thirds of estimated need.

Homeowners facing default would no longer receive housing counseling to assist them in retaining their homes. The housing counseling program would be ended.

150,000 families living in rent supplement projects would have no assurance, beyond five years, that they would receive housing assistance. Present rent supplement contracts would be ended, and tenants given vouchers instead.

The rural housing programs of the Farmers Home Administration would be cut to one-third of their present level. They are to be virtually terminated in 1984.

These proposals are made at a time of housing crisis. New production is at its lowest level in two generations. Rents in the private market are beyond the reach of the millions of low income households these programs were intended to help.

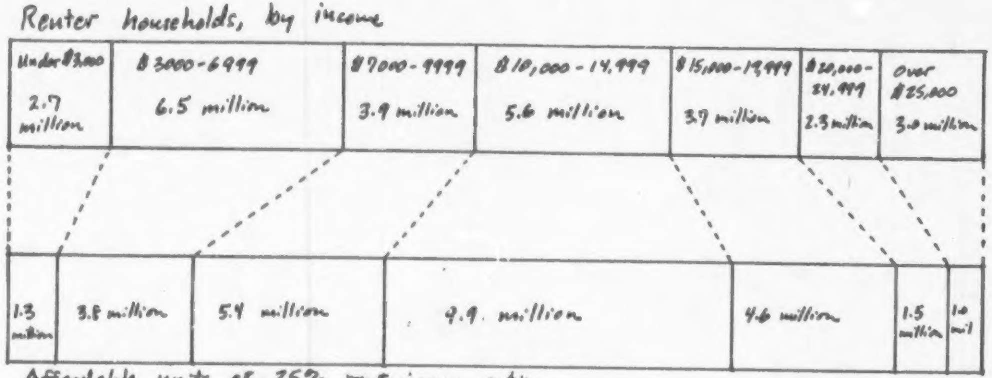
In short, the budget proposals offer no hope to low income people: either to those now living in low income housing or to the hundreds of thousand more on the waiting lists.

In conclusion, the National Low Income Housing Coalition urges the Senate Agriculture Committee to reject the proposal to repeal the prohibition against counting food stamps as income for assisted housing and other programs.

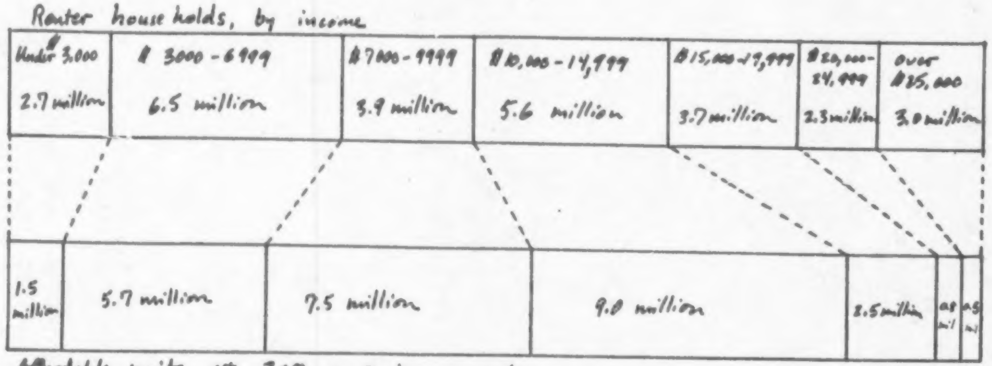
We urge this committee to remember that housing is more than bricks and mortar. Our housing is where we live: it shapes our lives, our families, and our communities.

The importance which we give to housing reflects our values as a society. Do we care that millions of children must live in homes and neighborhoods that violate basic standards of safety and decency? Do we care that millions of old people must end their lives without dignity or the assurance of a sound roof over their heads and heat in their homes? Do we still believe that the federal government must play a role in ending injustice, and in providing resources and assistance where no one else can do so? The National Low Income Housing Coalition is convinced that the answers to these questions can and must be "YES".

1980: Comparison of Renter Households and Affordable Units



Affordable units at 25% rent-income ratio



Affordable units at 30% rent-income ratio

TABLE 1. ESTIMATED SUBSIDIZED UNITS AS OF SEPTEMBER 30, 1981

Agency	Program	Units
HUD	Public housing	1,204,000
	202 housing for elderly and handicapped (original program)	44,392
	Revised program (post-1974)	55,994
	Rent supplements	157,779
	236 rental housing assistance	537,206
	Section 8 housing assistance payments	1,318,927
	Subtotal, rental housing	3,318,298
	Less 202 units also receiving Section 8	-55,994
	Less estimated 236 units also receiving Section 8 assistance	-95,000
	Less estimated 236 units also receiving rent supplement assistance	-66,000
	Net rental units	3,101,304
	235 home ownership assistance	
	Old program (pre-1974)	158,226
	Revised program	82,313
	Net home ownership units	240,539
	Total HUD-subsidized units	3,341,843
FmHA	515 rental housing (estimated units)	210,000
	502 home ownership loans	1,639,309
	504 very low income repair grants	39,269
	Subtotal, home ownership	1,678,578
	Less estimated unsubsidized 502	-540,000
	Net FmHA home ownership units	1,138,578
	Project loans and grants:	
	Rural rental assistance (with 515)	1,517
	Farm labor housing loans (514)	1,395
	Farm labor housing grants (516)	188
	Site loans (524)	165
	Self-help housing grants	348
	Supervisory/technical assistance (525)	57
	Total FmHA*	1,151,000
	GRAND TOTAL	4,493,000

* Includes rough estimate of net units provided through project loans and grants (primarily farm labor housing, since other project loans listed here are coupled with 515 or 502 assistance).

Source: Estimated from HUD, FmHA and CRS sources.

TABLE 2. HOUSEHOLDS SERVED BY ASSISTED RENTAL HOUSING PROGRAMS

	Total	Below Poverty Levels	
		Below 100%	Below 125%
All households			
Total	82,368	10,968	15,557
Renter-occupied	16,487	6,063	8,153
Living in subsidized housing	2,777	1,430	1,866
Percent of renters	10.4%	23.6%	22.9%
Households with children under 18 years old			
Total	34,329	4,928	6,607
Renters	10,036	3,126	3,949
Living in subsidized housing	1,297	787	917
Percent of renters	12.9	25.2	23.2
Householder 65 or over			
Total households	16,912	3,188	5,137
Renters	4,128	1,237	1,931
Living in subsidized housing	956	405	652
Percent of renters	23.2%	32.7%	33.8%
White householder			
Total households	71,872	7,828	11,593
Renters	21,135	3,934	5,549
Living in subsidized housing	1,612	745	1,029
Percent of renters	7.6%	20.0%	18.5%
Black householder			
Total households	8,847	2,864	3,588
Renters	4,618	1,941	2,383
Living in subsidized housing	1,075	643	771
Percent of renters	23.6%	33.1%	32.8%
Spanish-origin householder			
Total households	3,906	956	1,317
Renters	2,085	685	908
Living in subsidized housing	223	121	155
Percent of renters	10.7%	17.7%	17.1%

	Total	Below Poverty Levels Below 100%	 Below 125%
Inside central cities			
Total households	24,473	4,106	5,743
Renters	11,343	2,878	3,895
Living in subsidized housing	1,534	846	1,091
Percent of renters	13.5%	29.4%	28.0%
Outside metropolitan areas			
Total households	26,296	4,224	5,935
Renters	6,526	1,801	2,357
Living in subsidized housing	688	349	459
Percent of renters	10.5%	19.4%	19.4%
Female-headed household			
Total	9,082	2,972	3,666
Renters	4,529	2,112	2,492
Living in subsidized housing	1,029	674	771
Percent of renters	22.7%	31.2%	30.9%

Source: Current Population Reports, "Characteristics of Households Receiving Noncash Benefits, 1980," CPR P-60, No. 128.

TABLE 2A. COMPARISON OF RENT-INCOME RATIOS FOR SUBSIDIZED AND UNSUBSIDIZED HOUSING TENANTS, 1980

Rent-income ratio	Subsidized No.	 %	Unsubsidized No.	 %
Under 10 percent	117	4.0	1,114	5.1
10-14 percent	228	7.8	2,605	11.8
15-19 percent	445	15.1	3,570	16.8
20-24 percent	664	22.6	3,153	15.9
25-34 percent	644	22.6	4,269	20.5
35-49 percent	292	10.0	3,207	14.6
50-59 percent	91	3.1	1,149	5.2
60 percent or more	385	13.1	3,358	15.6
Not computed	65	2.2	1,518	6.6
Total.	2,932	25	23,942	27

TABLE 3. 1980 CHARACTERISTICS OF HOUSEHOLDS LIVING IN SUBSIDIZED RENTAL HOUSING. (Households in thousands.)

CHARACTERISTICS	TOTAL	MED.INC.	-100% POV	%	-125%	%
ALL HOUSEHOLDS	2511	$4978	1170	46.5%	1573	62.6
INSIDE METRO AREAS	1858	4959	867	46.6	1176	63.2
INSIDE CENTRAL CITIES	1373	4880	692	50.4	921	67.0
OUTSIDE CENTRAL CITIES	485	5386	175	36.0	256	52.7
OUTSIDE METRO AREAS	653	5078	302	46.2	397	60.7
NORTHEAST	794	6172	279	35.1	415	52.2
NORTH CENTRAL	538	4696	276	51.3	349	64.8
SOUTH	809	4617	476	58.8	583	72
WEST	370	4651	139	37.5	227	61.3
WHITE	1473	4822	592	40.1	863	58.5
BLACK	967	5367	549	56.7	671	69.3
SPANISH ORIGIN	202	6146	99	49.0	126	62.3
FAMILY HOUSEHOLDS	1491	6812	718	48.1	894	59.9
MARRIED COUPLES	596	9507	151	25.3	230	38.5
MALE HOUSEHOLDER	28	0	8	28.5	15	53.5
FEMALE HOUSEHOLDER	867	5325	558	64.3	650	74.9
NONFAMILY HOUSEHOLDS	1020	3955	452	44.3	680	66.6
MALE HOUSEHOLDER	28	0	8	28.5	15	53.5
FEMALE HOUSEHOLDER	792	3845	363	45.8	542	68.4
HOUSEHOLDER AGED 15-24	289	6227	143	49.4	174	60.2
AGED 25-34	543	6708	269	49.5	337	62.0
AGED 35-44	339	7100	180	53.0	210	61.9
AGED 45-54	221	6286	104	47.0	136	61.5
AGED 55-64	256	4720	125	48.8	164	64.0
65 OR OVER	863	4087	349	40.4	552	63.
SINGLE PERSONS	980	3892	443	45.2	662	67.5
TWO PERSONS	494	6425	171	34.6	235	47.5
THREE PERSONS	436	6758	186	42.6	241	55.2
FOUR PERSONS	277	7054	147	53.0	178	64.2
FIVE PERSONS	159	6861	107	67.2	124	77.9
SIX PERSONS	83	4245	54	65.0	63	75.9
SEVEN OR MORE	82	8895	62	75.6	71	86.5
MEMBERS UNDER 19	1173	6475	659	56.1	797	67.9
TOTAL PEOPLE	2680	6516	1711	63.8	2007	74.8
WORKED IN 1979	989	8283	312	31.5	434	43.8
DID NOT WORK	1456	3981	854	58.6	1128	77.4

Source: "Characteristics of Households and Persons Receiving Noncash Benefits, 1979 (Preliminary data from the March 1980 Current Population Survey)," Table 5. Bureau of the Census, Current Population Reports, Series p-23, No. 110.

TABLE 3, CONT'D. CHARACTERISTICS OF HOUSEHOLDS IN SUBSIDIZED RENTAL HOUSING, 1980 (Percent distribution).

CHARACTERISTICS	TOTAL	MED.INC.	BELOW 100% POV.	BELOW 125% PO
ALL HOUSEHOLDS	100%	100%	100%	100%
INSIDE METRO AREAS	73.9	99.6	74.1	74.7
INSIDE CENTRAL CITIES	54.6	98.0	59.1	58.5
OUTSIDE CENTRAL CITIES	19.3	108.1	14.9	16.2
OUTSIDE METRO AREAS	26.0	102.0	25.8	25.2
NORTHEAST	31.6	123.9	23.8	26.3
NORTH CENTRAL	21.4	94.3	23.5	22.1
SOUTH	32.2	92.7	40.6	37.0
WEST	14.7	93.4	11.8	14.4
WHITE	58.6	96.8	50.5	54.8
BLACK	38.5	107.8	46.9	42.6
SPANISH ORIGIN	8.0	123.4	8.4	8.0
FAMILY HOUSEHOLDS	59.3	136.8	61.3	56.8
MARRIED COUPLES	23.7	190.9	12.9	14.6
MALE HOUSEHOLDER	1.1	—	.6	.9
FEMALE HOUSEHOLDER	34.5	106.9	47.6	41.3
NONFAMILY HOUSEHOLDS	40.6	79.4	38.6	43.2
MALE HOUSEHOLDER	1.1	—	.6	.9
FEMALE HOUSEHOLDER	31.5	77.2	31	34.4
HOUSEHOLDER AGED 15-24	11.5	125	12.2	11.0
AGED 25-34	21.6	134.7	22.9	21.4
AGED 35-44	13.5	142.6	15.3	13.3
AGED 45-54	8.8	126.2	8.8	8.6
AGED 55-64	10.1	94.8	10.6	10.4
65 OR OVER	34.3	82.1	29.8	35.0
SINGLE PERSONS	39.0	78.1	37.8	42.0
TWO PERSONS	19.6	129.0	14.6	14.9
THREE PERSONS	17.3	135.7	15.8	15.3
FOUR PERSONS	11.0	141.7	12.5	11.3
FIVE PERSONS	6.3	137.8	9.1	7.8
SIX PERSONS	3.3	85.2	4.6	4.0
SEVEN OR MORE	3.2	178.6	5.2	4.5
MEMBERS UNDER 19	46.7	130.0	56.3	50.6
TOTAL PEOPLE				
WORKED IN 1979	39.3	166.3	26.6	27.5
DID NOT WORK	57.9	79.9	72.9	71.7

SOURCE: CHARACTERISTICS OF HOUSEHOLDS AND PERSONS Source: "Characteristics of Noncash Benefits, 1979 (Preliminary data from the March 1980 Current Population Survey)," Table 5. Bureau of the Census, Current Population Reports, Series p-23, No. 110.

TABLE 4, CONT'D. IMPACT ON RENTS OF COUNTING FOOD STAMPS AS INCOME,
SECTION 8 TENANTS, 1981 INCOME FIGURES.

FOR NEW TENANTS WITH RENTS AT 30% OF INCOME

TENANTS WITH INCOMES OF UNDER 10% OF MEDIAN

HOUSEHOLD SIZE	GROSS INCOME	OLD RENT	NEW RENT	$ INCREASE	% INCREASE	$ REMAINING
ONE	1242	26.28	36.4	10.12	38.5	67.09
TWO	1196	19.13	44.63	25.50	133.2	55.03
THREE OR FOUR	1459	18.23	69.32	51.09	280.2	52.26
FIVE OR SIX	1704	21.30	96.54	75.24	353.2	45.46
NINE OR MORE	1838	22.97	98.21	75.24	327.5	54.95
ELDERLY	1242	24.07	34.19	10.12	42.0	69.31

TENANTS WITH INCOMES OF 11-20 PERCENT OF MEDIAN

HOUSEHOLD SIZE	GROSS INCOME	OLD RENT	NEW RENT	$ INCREASE	% INCREASE	$ REMAINING
ONE	2280	48.33	51.71	3.38	6.9	138.29
TWO	2311	42.94	61.19	18.25	42.5	131.39
THREE OR FOUR	2707	42.94	85.92	42.98	100.0	139.66
FIVE OR SIX	3051	38.13	104.61	66.48	174.3	149.64
NINE OR MORE	3582	44.77	111.25	66.48	148.4	107.25
ELDERLY	2326	47.88	50.96	3.08	6.4	142.87

TENANTS WITH INCOMES OF 21-30 PERCENT OF MEDIAN

HOUSEHOLD SIZE	GROSS INCOME	OLD RENT	NEW RENT	$ INCREASE	% INCREASE	$ REMAINING
ONE	3348	70.76	70.76	0	0	208.24
TWO	3740	73.49	82.46	8.97	12.2	229.20
THREE OR FOUR	4506	81.42	112.71	31.29	38.4	262.79
FIVE OR SIX	5308	83.95	135.76	51.81	61.7	306.57
NINE OR MORE	5914	73.92	125.73	51.81	70.0	367.10
ELDERLY	3314	68.25	68.25	0	0	207.91

Source: Based on HUD figures for Section 8 tenant incomes.

TABLE 4. IMPACT ON RENTS OF COUNTING FOOD STAMPS AS INCOME, SECTION 8 TENANTS, 1981 INCOME FIGURES.

FOR PRESENT TENANTS WITH RENTS AT 26% OF INCOME

TENANTS WITH INCOMES OF UNDER 10% OF MEDIAN

HOUSEHOLD SIZE	GROSS INCOME	OLD RENT	NEW RENT	$ INCREASE	% INCREASE	$ REMAINING
ONE	1242	26.28	36.4	10.12	38.5	67.09
TWO	1196	19.13	44.63	25.5	133.2	55.03
THREE OR FOUR	1459	18.23	69.32	51.09	280.2	52.26
FIVE OR SIX	1704	21.3	96.54	75.24	353.2	45.46
NINE OR MORE	1838	22.97	98.21	75.24	327.5	54.95
ELDERLY	1242	24.07	34.19	10.12	42	69.31

TENANTS WITH INCOMES OF 11-20 PERCENT OF MEDIAN

HOUSEHOLD SIZE	GROSS INCOME	OLD RENT	NEW RENT	$ INCREASE	% INCREASE	$ REMAINING
ONE	2280	48.33	51.71	3.38	6.9	138.29
TWO	2311	42.94	61.19	18.25	42.5	131.39
THREE OR FOUR	2707	42.94	85.92	42.98	100	139.66
FIVE OR SIX	3051	38.13	104.61	66.48	174.3	149.64
NINE OR MORE	3582	44.77	111.25	66.48	148.4	187.25
ELDERLY	2326	47.88	50.96	3.08	6.4	142.87

TENANTS WITH INCOMES OF 21-30 PERCENT OF MEDIAN

HOUSEHOLD SIZE	GROSS INCOME	OLD RENT	NEW RENT	$ INCREASE	% INCREASE	$ REMAINING
ONE	3348	70.76	70.76	0	0	208.24
TWO	3740	73.49	82.46	8.97	12.2	229.2
THREE OR FOUR	4506	81.42	112.71	31.29	38.4	262.79
FIVE OR SIX	5308	83.95	135.76	51.81	61.7	306.57
NINE OR MORE	5914	73.92	125.73	51.81	70	367.1
ELDERLY	3314	68.25	68.25	0	0	207.91

TABLE 5

ESTIMATED IMPACT ON RENTS OF COUNTING FOOD STAMPS AS INCOME FOR WELFARE MOTHER WITH TWO CHILDREN USING 1982 AFDC AND FOOD STAMP GRANTS

STATE	AFDC GRANT	FOOD STAMPS	OLD RENT	NEW RENT	DOLLAR INCREASE	% INCREASE	INCOME REMAINING
ALABAMA	$118	$183	$17.68	$65.26	$47.58	269.1%	52.74
ARIZONA	202	164	39.52	82.16	42.64	107.8	119.84
ARKANSAS	122	183	18.72	66.30	47.58	254.1	55.70
CALIFORNIA	506	73	118.56	137.54	18.98	16.0	368.46
COLORADO	313	131	68.38	102.44	34.06	49.8	210.56
CONNECTICUT	427	97	98.02	123.24	25.22	25.7	303.76
DELAWARE	266	145	56.16	93.86	37.70	67.1	172.14
DIST/COL	300	135	65.00	100.10	35.10	53.9	199.9
FLORIDA	209	162	41.34	83.46	42.12	101.8	125.54
GEORGIA	183	170	34.58	78.78	44.20	127.8	104.22
IDAHO	314	131	68.64	102.70	34.06	49.6	211.30
ILLINOIS	302	134	65.52	100.36	34.84	53.1	201.64
INDIANA	255	149	53.30	92.04	38.74	72.6	162.96
IOWA	360	117	80.60	111.02	30.42	37.7	248.98
KANSAS	328	127	72.28	105.30	33.02	45.6	222.70
KENTUCKY	188	169	35.88	79.82	43.94	122.4	108.18
LOUISIANA	190	168	36.40	80.08	43.68	120.0	109.92
MAINE	301	135	65.26	100.36	35.10	53.7	200.64
MARYLAND	270	144	57.20	94.64	37.44	65.4	175.36
MASSACHUSETTS	379	111	85.54	114.4	28.86	33.7	264.60
MICHIGAN	395	107	89.70	117.52	27.82	31.0	277.48
MINNESOTA	446	91	102.96	126.62	23.66	22.9	319.38
MISSISSIPPI	96	183	11.96	59.54	47.58	397.8	36.46
MISSOURI	248	151	51.48	90.74	39.26	76.2	157.26
MONTANA	306	133	66.56	101.14	34.58	51.9	204.86
NEBRASKA	350	120	78.00	109.20	31.20	40.0	240.80
NEW HAMPSHIRE	346	121	76.96	108.42	31.46	40.8	237.58
NEW JERSEY	360	117	80.60	111.02	30.42	37.7	248.98
NEW MEXICO	248	151	51.48	90.74	39.26	76.2	157.26
NEW YORK	424	98	97.24	122.72	25.48	26.2	301.28
N. CAROLINA	192	167	36.92	80.34	43.42	117.6	111.66
N. DAKOTA	357	118	79.82	110.50	30.68	38.4	246.50

STATE	AFDC GRANT	FOOD STAMPS	OLD RENT	NEW RENT	DOLLAR INCREASE	% INCREASE	INCOME REMAININ
OHIO	$263	$146	$55.38	$93.34	$37.96	68.5%	$169.66
OKLAHOMA	282	140	60.32	96.72	36.4	60.3	185.28
OREGON	321	129	70.46	104.00	33.54	47.6	217.00
PENNSYLVANIA	318	130	69.68	103.48	33.8	48.5	214.52
RHODE ISLAND	453	89	104.78	127.92	23.14	22.0	325.08
S. CAROLINA	133	183	21.58	69.16	47.58	220.4	63.84
S. DAKOTA	321	129	70.46	104.00	33.54	47.6	217.00
TENNESSEE	122	183	18.72	66.30	47.58	254.1	55.70
TEXAS	118	183	17.68	65.26	47.58	269.1	52.74
UTAH	367	115	82.42	112.32	29.9	36.2	254.68
VERMONT	477	82	111.02	132.34	21.32	19.2	344.66
VIRGINIA	235	149	53.30	92.04	38.74	72.6	162.96
WASHINGTON	440	93	101.40	125.58	24.18	23.8	314.42
WEST VIRGINIA	206	163	40.56	82.94	42.38	104.4	123.06
WISCONSIN	472	83	109.98	131.56	21.58	19.6	341.44
WYOMING	315	131	68.90	102.96	34.06	49.4	212.04

SOURCE: Calculated by National Low Income Housing Coalition from information on welfare and food stamp grants contained in "Profiles of Families in Poverty: Effects of the FY 1983 Budget Proposals on the Poor" by Tom Joe, Center for the Study of Social Policy, February 1982. Rent is assumed to be 26% of income, with $300 annually deducted from income for each dependent.

ESTIMATED IMPACT ON RENTS OF COUNTING FOOD STAMPSAS INCOME FOR NONWORKING WELFARE MOTHERS
SELECTED STATES, TWO AND THREE CHILDRENUSING 1982 AFDC AND FOOD STAMP GRANTS

STATE	AFDC GRANT	FOOD STAMPS	OLD RENT	NEW RENT	INCREASE	% INCREASE	REMAINING $
CALIF (2)	506	57	118.56	133.38	14.82	12.4	372.62
CALIF (3)	601	78	143.26	163.54	20.28	14.1	437.46
KANSAS (2)	328	122	72.28	104	31.72	43.8	224
KANSAS (3)	374	151	84.24	123.5	39.26	46.6	250.5
MINN. (2)	446	75	102.96	122.46	19.5	18.9	323.54
MINN. (3)	520	103	122.2	148.98	26.78	21.9	371.02
MISS. (2)	96	183	11.96	59.54	47.58	397.8	36.46
MISS. (3)	120	233	18.2	78.78	60.58	332.8	41.22
N. CAR. (2)	192	183	36.92	84.5	47.58	128.8	107.5
N. CAR. (3)	210	225	41.6	100.1	58.5	140.6	109.9
NEW YORK (2)	424	81	97.24	118.3	21.06	21.6	305.7
NEW YORK (3)	515	104	120.9	147.94	27.04	22.3	367.06

SOURCE: IBID. AND UNPUBLISHED DATA

STATEMENT OF GEORGE CHAUNCEY, CHAIRMAN, INTERRELIGIOUS TASKFORCE ON U.S. FOOD POLICY

I am George Chauncey, director of the Washington Office of the Presbyterian Church in the U.S. and chair of the Interreligious Taskforce on U.S. Food Policy. The Interreligious Taskforce is a coalition of over two dozen national Protestant, Roman Catholic, Jewish, and ecumenical agencies that work together for justice for the world's poor and hungry people. While the Taskforce speaks for itself only and not for the religious bodies that participate in its work, Taskforce testimony is consistent with the public policy recommendations adopted by those bodies. We welcome this opportunity to present testimony on the food stamp program reauthorization.

The Taskforce supports a four year reauthorization of an entitlement food stamp program with benefit levels tied to the cost-of-living index. We believe such a program is needed if the nation, working through its government, is to fulfill its moral obligation to assist poor people in meeting their nutritional needs.

In our testimony, we want to do three things. First, we want to comment on the effects on last year's budget cuts, sharing with you some data we have gathered from across the country. Second, we want to express our views about the respective responsibilities of the religious community and the government in meeting the nutritional needs of the poor. Finally, we want to state our position on various proposals for changing the food stamp program.

IMPACT OF LAST YEAR'S BUDGET CUTS

First, the changes and budget cuts in the food stamp program enacted in FY 1982 have resulted in an overwhelming increase in request for food and service at churches and church service agencies.

For example, the Seattle, Washington Ecumenical Hunger Taskforce of the Washington Association of Churches reports a 30 percent increase since October 1 in requests for emergency food boxes. A box contains food for three days. The Spokane Food Bank served 4,200 persons in May; 5,700 in November. The Salvation Army reports a 68 percent increase in need for emergency food in Yakima. In Detroit, area emergency food providers are experiencing a tripled demand for food compared to last year. Sites that once handled 5 or 6 walk-ins a month now see 13 or more a day. In Baltimore the number of people turning to the charity center of St. Ignatius Roman Catholic Church has tripled since last October. Another center in Maryland that previously handled an average volume of 40 emergency packages per month distributed 90 packages in October alone. In Washington, DC, the need is so great that the number of churches and other voluntary agencies providing food pantries, soup kitchens, and shelters has almost doubled in the past three years.

These reports reflect the fact that despite Administration rhetoric about saving funds through reducing fraud and abuse and removing from the program those not in need, over 80 percent of the "savings" for FY 1982 came from reducing benefits for those with gross incomes below the poverty line. Most of the remaining savings come from reducing or terminating benefits for families slightly above the poverty line who work and pay taxes out of their incomes.

THE ROLE OF GOVERNMENT AND THE RELIGIOUS COMMUNITY

The religious community in this country recognizes that it has a religious and moral responsibility to help care for poor and needy people.

As we have just indicated, churches and other religious groups, sensitive to the claims of justice and simple human decency, are now directly engaged in an expanded way in meeting the need for food assistance through local food banks and meal programs. Along with others, we are seeking to help fill the gaps already left by the minimal levels of publicly supported food assistance. As the need increases, so do our efforts. And we are prepared to do more. But religious agencies simply cannot assume—as some suggest—the massive additional burden that would result from additional cuts in the food stamp program and other programs for low-income people. And an exclusively voluntaristic approach is wrong for at least three reasons.

First, the churches and other voluntary assocations simply don't have the resources to make up for the massive cuts in federal spending. The President has proposed that each church in America adopt 10 poor families; but Professor Martin Marty of the University of Chicago has estimated that adopting 10 poor families would cost at least $100,000 a year, which would bankrupt most churches.

Second, even if churches and other voluntary agencies did have considerably more resources, there is no reason to believe that we would voluntarily part with them.

Much as we hate to admit it, sin persists in the lives of the saints, and hard times erode social sympathies.

But finally, even if we did have a sudden burst of generosity, this whole voluntaristic approach would be unjust—for it is unjust to make large groups of people, except in emergencies, depend for the necessities of life on the unstable and passing impulses of generosity of private persons rather than upon the common responsibility of the community to which they belong.

Thus, primary responsibility must continue to rest with society as a whole, operating through the government. Justice demands that the government accept that responsibility. Moreover, we believe it imperative that the federal government continue to establish national standards of eligibility and minimum program benefit levels for the food stamp program, so that geographical location does not deny a person the right to adequate nutrition. A person who is in need of food is just as hungry in North Carolina as is one in New York.

FISCAL YEAR 1983 FOOD STAMP PROPOSALS

We now turn to our position on proposals in the FY 1983 budget.

In general, we believe the proposed changes in the food stamp program would unfairly hurt the elderly and the working poor. As for the elderly, the Congressional Budget Office estimates that 93 percent of all elderly and disabled households would be terminated or have their benefits reduced. This would adversely affect nearly 2 million elderly and disabled households. As for the working poor, 94 percent of the working poor households would have their benefits reduced or terminated. The average low-income working family would lose $684 a year in food stamps. Overall, 85 percent of all food stamp participants would have benefits reduced or terminated; over 6 million households with about 17 million persons would lose benefits. It cannot be too strongly emphasized that these proposed cuts are not reducing fraud; they are taking food from the poor.

The Taskforce specifically:

1. Supports a four-year reauthorization of the food stamp program, so that the basic provisions of the program can be implemented without the need for major changes every year or so.
2. Supports the entitlement status of the program, and thus opposes the cap on authorized expenditures which has the effect of negating the entitlement provision. Since it is nearly impossible today to predict future economic conditions with any accuracy, program expenditures should not be limited to those based on current estimates, but should be responsive to prevailing economic conditions.
3. Recommends an annual cost of living adjustment using an index which takes into account inflation in food prices. Further, we urge the Committee not to delay the scheduled cost of living adjustment for food stamps due this October, 1982. As a result of last year's actions, food stamp benefits are now based on September, 1980 food prices. A further delay in the cost of living adjustment would constitute a cut in benefits for nearly all food stamp recipients and result in low-income families falling even further behind inflation.
4. Opposes abolishing the earned income deductions. Failing to provide an earned income deduction and basing benefits on gross earnings is equivalent to assuming that funds withheld for taxes or used for work expenses are actually available for food. More seriously, reducing the benefit level by ignoring the effect of work-related expenses would penalize the working poor while the nonworking family of the same income incurs no loss. This would clearly be unfair, and just as clearly would be a disincentive to work. Numerous studies have demonstrated that last year's changes have already led many low-income working people to drop out of the work force because of their severe loss of benefits. This additional change would result in even more severe losses—and thus would be self-defeating both in terms of encouraging self-reliance and reducing federal costs.
5. Opposes increasing the benefit reduction rate from 30 percent to 35 percent, because this would result in most households having their food stamp benefits cut by 5 percent of their disposable income.
6. Opposes eliminating the $10 minimum benefit. Minimum benefits are generally received by the elderly on social security or Supplemental Security Income (SSI) and the disabled. Small though it is, the $10 minimum benefit can make a big difference for these people. For an elderly person a loss of $10 could mean several days without food.
7. Opposes counting energy assistance payments as income in determining household eligibility and benefit levels. The assistance provided to meet energy costs is provided precisely because people need such assistance. It is not an additional

source of income for food purchases. Without this combined assistance some poor families would be forced to choose between eating and heating.

8. Opposes the similar proposal being considered regarding housing assistance. Food stamp benefits would be counted as income in determining rent payments in subsidized housing. For every $10 the family receives in food stamp benefits, its rent would go up $3. Since the poorest families receive the most stamps, they would be hit with the biggest rent increases. Rent increases of 25 percent to 50 percent would be widespread.

9. Recommends in light of the two proposals just listed that the Committee put language in the food stamp reauthorization bill prohibiting counting food stamp benefits as income in other needs-based programs.

CONCLUSION

We appreciate the difficulty of the choices you must make in the weeks and months ahead. Something clearly must be done to reduce the federal deficit. However, deficits can be reduced by increasing revenues as well as by reducing expenditures. Moreover, expenditure reductions need not and should not lay additional burdens on those least able to bear them. Justice as well as simple human decency requires that hard-headed economic realism not be translated into hard-hearted social policy.

STATEMENT OF RANDALL C. BACON, DIRECTOR, DEPARTMENT OF SOCIAL SERVICES, COUNTY OF SAN DIEGO, SAN DIEGO, CALIF.

Mr. Chairman, Members of the Committee, my name is Randall C. Bacon. I am the Director of the Department of Social Services for the County of San Diego, California. Since July of 1979, San Diego has been in the forefront of a test to determine the feasibility of food stamp recipients working in return for their food stamp benefits. This past year San Diego was the largest of fourteen sites in the nation participating in the Food Stamp Workfare Demonstration Project and was one of only two sites in operation since Workfare's inception.

Even with federal restrictions, most of which were eliminated by passage of the Food Stamp and Commodity Distribution Amendments of 1981 (Public Law 97-98), the public has clearly benefited from Workfare. Over five-hundred able-bodied food stamp recipients work each month in San Diego County in return for their benefits. An almost equal number are removed from the food stamp rolls as a result of their refusal to work. San Diego agencies participating in Workfare during the calendar year 1981 received the equivalent of $349,756 in free labor. Additionally, penalties applied in San Diego for refusal to work saved the federal government $253,499 in food stamp benefits.

As well, Workfare does deter people who are able to work in return for food stamps, but choose not to. The number of Nonassistance food stamp households in San Diego County decreased from 20,166 in December 1980, the month prior to countywide Workfare implementation, to 17,498 in November 1981. This is a decrease of 13%. Nonassistance food stamp households in all other California counties, excluding San Diego, slightly increased from 216,594 to 216,861 for this same period, an increase of less than 1 percent. There were many regulatory changes made in the Food Stamp Program this past year, so it is difficult to identify the specific impact of Workfare on caseloads. However, if this decrease can in fact be attributed to Workfare, there are substantial administrative savings and food stamp dollar savings to the federal government. The federal food stamp dollar savings from the deterrent effect of Workfare in San Diego could total as much as $1.3 million for calendar year 1981.

Equally important, Workfare does provide benefits to its participants. Workfare participants are matched by trained personnel to jobs which can teach them new skills or help them polish old ones. Some participants have moved into full time jobs as a result of their Workfare experience. Some have been hired by the worksite, and others have reported gaining added confidence and experience which helped them obtain employment on their own.

Last March, San Diego submitted extensive recommendations to your Congress to improve the effectiveness of Workfare, and lobbied strongly for permanent adoption of the program allowing interested political subdivisions the opportunity to establish local workfare programs. The resulting legislation, Public Law 97-98, incorporated most of San Diego's recommendations and empowered local governments to adopt Workfare at their option. San Diego is now axiously awaiting regulations from the

United States Department of Agriculture which will allow us to implement these program improvements.

When the provisions of Public Law 97-98 are implemented, (1) many more food stamp recipients will be required to work in return for their benefits, (2) the penalty for failure will be increased from one month for the individual to two months for the household, (3) the 30 day job search period will no longer be mandated, and (4) participants will be reimbursed up to $25 each month for Workfare-related expenses, such as transportation and child care. We are anticipating that San Diego's project size will increase five-fold once the new law is in effect. Currently 3,000, or 7 percent, of San Diego's 42,000 food stamp households are subject the requirements of Workfare. When Public Law 97-98 is implemented, we expect that 14,000, or 33 percent, of our food stamp households will be Workfare eligible. Approximately 60 percent of those food stamp recipients that meet the requirements of Workfare will also receive cash assistance through the Aid to Families will Dependent Children Program (AFDC). Currently, less that 5 percent of the food stamp recipients that meet the requirements of Workfare will also receive cash assistance through the Aid to Families with Dependent Children Program (AFDC). Currently, less that 5 percent of the food stamp recipients subject to Workfare also receive cash assistance. We expect that our average Workfare participant will receive $79 worth of food stamp benefits and will be required to work 23 hours each month in return.

San Diego is not anticipating any major problems operating Workfare under the provisions of the new law, although we do expect that some provisions will be more difficult to implement than others. Even though many more people will meet the requirements of Workfare, worksite development will not be an obstacle to full implementation. We expect that worksites will be available in San Diego County to accommodate the additional participants. Other provisions, such as the $25 rembursement for Workfare-related expenses and the provision that households may make up past unmet obligations to receive the current month's benefits may prove to be administratively cumbersome. We do not expect, however, that they will significantly hinder the successful implementation of the new rules. Additionally, some major differences exist between the provisions of the recently eneacted Community Work Experience Program (CWEP) for recipients of Aid to Families with Dependent Children (AFDC) and the Food Stamp Workfare legislation. Although it will be administratively and fiscally beneficial to combine both programs, the differences between the two laws will make it an awkward task. It is my belief that the provisions of the Food Stamp Workfare Program are the most sound, and that if any changes are to be made to bring the two in line, they should be made in the AFDC-CWEP provisions.

I believe that the changes your Congress enacted in Public Law 97-98 will significantly improve the efficiency of Workfare and will alter the cost benefit ratio so that Workfare will prove to be a cost-effective, manageable program. At this time, I strongly recommend to you that no further programmatic changes be made until we have had an opportunity to test the effects of Public Law 97-98.

There is one major flaw in the provisions of the law, however, which should be addressed by your Congress. Public Law 97-98 does not provide incentives for local jurisdictions to participate in the program. Currently, savings that result from the deterrent effect of Workfare accrue only to the federal budget, while added costs of administering Workfare are borne by the local governments.

So that local governments might realize their fair share of the dollar savings associated with Workfare, and so that they might be more encouraged to participate in the program, I am proposing that your Committee incorporate into future legislation a provision to provide for a federal reimbursement mechanism whereby the 50 percent nonfederal share of administrative costs be reimbursed to the local government from program benefit savings. The local governments' 50 percent share of administrative costs should be offset by a direct cash reimbursement by the federal government from benefit savings due to sanctions. I believe that if this one additional funding incentive existed, many more local governments would be eager to partiicipate in the program.

The County of San Diego is committed to the philosophy that those who are able to work should work in return for the support provided by taxpayers' dollars. Workfare has been successful in San Diego County and we believe that it can be successful for other local governments as well.

STATEMENT OF THE COMMUNITY SERVICE SOCIETY OF NEW YORK

The Community Service Society of New York appreciates the opportunity to express its views on the proposed legislation authorizing funds for fiscal year 1983 for the food stamp program. CSS is one of the oldest private nonsectarian social agencies in this country. As an advocate for the poor and disadvantaged we are alarmed by the further shattering cuts in federal spending proposed for the food stamp program. There is no justification for requiring a greater sacrifice on the part of the poor and elderly to balance the budget than is required of the more affluent. We urge that Congress seek alternative ways to reduce the federal deficit.

The fact that the food stamp program has been beneficial in ending hunger and malnutrition for the poor is unquestioned. It is one of the most rational and cost-effective social programs enacted by Congress. That the program is costly is largely due to a poor economy where high unemployment forces more and more people on the food stamp roster and where high inflation means rising food prices. It is estimated that each one percent increase in unemployment adds over a million people to the program. Each one percent rise in the cost of food adds $150 million to annual program expenditures.

The federal budget reductions in the food stamp program for fiscal year 1982 will affect over four hundred thousand households, encompassing over one million persons in New York City alone. Reducing the limit on gross income from 170 percent to 130 percent of the poverty level cost 7,000 households with 16,080 people their entire food stamp allotment. Reducing the disregard of earned income from 20 percent to 18 percent has reduced food stamp benefits for 56,343 households and eliminated them for an additional 490 households (affecting a total of 130,000 people). Delaying annual cost of living adjustments will affect all persons eligible for the food stamp program.

Contrary to the Administration's statements about food stamp cheats, the food stamp population is preponderantly poor. Of New York City's food stamp recipients, about 65 percent are on public assistance, 20 percent on Supplemental Security Income and the remaining 15 percent are living on Social Security, pensions or working at low-level jobs. More than half of food stamp recipients are children.

Unmistakably, the proposals put forth by the Administration for FY 1983 will adversely affect almost every food stamp household. Reducing benefits by 35 cents for each additional dollar in income instead of the current 30 cents will affect 85 percent of the caseload and cost recipients $42.9 million in 1983, according to the New York City Human Resources Administration. Eliminating altogether the 18 percent earned income disregard, which was enacted specifically to encourage people to work, will affect 37,000 cases for a net loss of $10.4 million in 1983. Counting energy assistance as income, eliminating the $10 minimum monthly benefit now guaranteed households who qualify for that amount or less, are proposed changes which will hit hardest the working poor and the elderly.

Finally, the cuts in food stamp eligibility and benefits cannot be viewed in isolation. Many of the same families who lose food stamp benefits are also affected by cuts in other health and social programs. The federal government must not turn its back on the least well off. There must be less onerous ways of balancing the federal budget than depriving the poor of the means to an adequate diet. The Community Service Society urges you to reject the cuts in the FY 1983 food stamp program proposed by the Reagan Administration.

U.S. GENERAL ACCOUNTING OFFICE,
Washington, D.C., June 7, 1982.

Hon. JESSE HELMS,
Chairman, Committee on Agriculture, Nutrition, and Forestry,
U.S. Senate.

DEAR MR. CHAIRMAN: During our March 29, 1982, testimony before your Committee on Agriculture, Nutrition, and Forestry, several questions were asked concerning Department of Agriculture delays in implementing previously passed legislation designed to improve integrity of the Food Stamp Program.

Pursuant to a request by Mr. Tom Boney of the Committee staff, we are providing a list of the more important legislative provisions passed during 1980 and 1981 which were not yet in effect as of March 22, 1982, shortly before our testimony. These provisions were included in three major amendments to the Food Stamp Act of 1977, as amended, including the Food Stamp Act Amendments of 1980, the Omnibus Budget Reconciliation Act of 1981, and the Agriculture and Food Act of 1981.

Since our testimony, Agriculture has issued some additional proposed, interim final, and final regulations; however, as shown on the enclosure, final regulations have not been issued for a number of major food stamp provisions passed by the Congress. We plan to continue monitoring the Department's progress in issuing final regulations to implement congressional initiatives to minimize improper issuances of program benefits.

Sincerely yours,

HENRY ESCHWEGE, *Director.*

Enclosure.

DEPARTMENT OF AGRICULTURE REGULATORY ACTION ON 1980 AND 1981 FOOD STAMP LEGISLATION

[Major legislative provisions for which the Department of Agriculture had not issued final regulations]

Status as of March 22, 1982	Status as of June 3, 1982
Food Stamp Act Amendments of 1980	
Authorized States to conduct wage matches to verify income of food stamp applicants or recipients.	Final rule issued May 7, 1982, to be effective on June 7, 1982.
Required States to adjudicate fraud either through the courts or administrative fraud hearings.	Final rule issued April 23, 1982, to be effective on June 1, 1982, and fully implemented no later than July 1, 1982.
Required counting ineligible alien's resources and a share of income toward that of his (or her) household for determining food stamp benefits.	Final rule issued April 23, 1982, to be effective on June 1, 1982, and fully implemented no later than July 1, 1982.
Increased Federal financial participation (to 75 percent) for States' design and implementation of computer systems.	Final rule awaiting OMB approval before publication.
Omnibus Budget Reconciliation Act of 1981	
Extended fraud penalties to those who intentionally misrepresented information necessary to determine household eligibility and benefit levels.	Issuance of proposed rule expected in June 1982.
Allowed States to offset certain overissuances against future benefits up to the greater of 10 percent of monthly benefits or $10.00 each month.	Issuance of proposed rule expected in June 1982.
Allowed States to retain 25 percent of all non-fraud collections, except for those stemming from agency error.	Published as a final notice on June 1, 1982.
Revised mandatory disqualification periods for violators convicted of food stamp fraud through administrative fraud hearings.	Issuance of proposed rule expected in June 1982.
Required restrospective accounting to be used in determining income for most food stamp recipients.	Interim final rule, issued May 25, 1982, allowed State implementation immediately, and consistent with current legislation, required its use by October 1, 1983.

DEPARTMENT OF AGRICULTURE REGULATORY ACTION ON 1980 AND 1981 FOOD STAMP LEGISLATION—Continued

[Major legislative provisions for which the Department of Agriculture had not issued final regulations]

Status as of March 22, 1982	Status as of June 5, 1982
Required periodic reporting of changes in household circumstances affecting monthly allotments for most food stamp recipients.	Interim final rule, issued May 25, 1982, allowed State implementation immediately, and consistent with current legislation, required its use by October 1, 1983.
Excluded energy assistance payments from income for Food Stamp Program purposes.	Issuance of proposed rule expected in August 1982.
Required counting a portion of a sponsor's income and resources in determining eligibility of an alien applying for food stamps.	Issuance of proposed rule expected in August 1982.
Provided for disqualifying households which contain a member failing to meet the work registration or other work requirements of another Federal program if those requirements are similar to those in the Food Stamp Program.	Issuance of proposed rule expected in August 1982.
Allowed the Secretary of Agriculture to establish tolerances for losses incurred through mailing coupons or authorization-to-participate cards.	Issuance of proposed rule expected in August 1982.
Required States to conduct wage matches to verify income of food stamp applicants or recipients.	Issued proposed rule on May 7, 1982.
Modified provisions related to restoration of improperly denied benefits.	Issuance of proposed rule expected in August 1982.
Established minimum mandatory court sentence for criminal offenses and permitted a work restitution program.	Issuance of final rule expected in June 1982.
Required State agencies to obtain social security numbers for all household members.	Proposed rule issued on April 2, 1982.
Established an option workfare program..	Issuance of proposed rule expected in June 1982.
Required food coupon issuers to be liable for certain losses in areas where photo identification cards are mandatory.	Issuance of proposed rule expected in July 1982.